2015

ISSUE: AUGUST

Wealth Management in Asia

hubbis

hubbis.com

Foreword

On behalf of BNP Paribas Wealth Management, I am delighted to partner again with Hubbis on this flagship publication – the 5th edition of an annual overview and outlook for the private banking and wealth management industry in Asia.

This is particularly timely. Given the rapidly-changing landscape, combined with the blurring of lines and business models between the different types of wealth management organisations, staying relevant and profitable is an increasingly urgent priority.

This is certainly the case for many private banks.

While most of them continue to believe in the region's growth story, and are committed to it, recent consolidation among various institutions is proof of a fallibility which nobody has paid much attention to until now.

Plus, many Asian HNW entrepreneurs still think they can manage their money better themselves. So how can banks become more relevant? Perhaps strong regional banks will be best to deal with these clients. Further, while recent favourable market conditions have helped to drive revenue, what will happen when the market turns?

Against this backdrop, organisations of all types and sizes are striving to create tangible points of differentiation in their vision and approach.

They seek to answer some fundamental questions: What does it take to survive and thrive? Are digital platforms the answer? How can advice be tailored and enhanced to drive differentiation and client loyalty? What is required to cope with the reality of operating in a highly-competitive and compliance-led environment? Further, how to plug the talent gap is a source of major concern for all industry players.

Whether they go for scale or take a more focused approach to executing what they do best – the key is to identify and stick to a clear strategy and value proposition.

The content in this publication covers these issues and more. I hope you enjoy reading and are able to benefit from these insights.

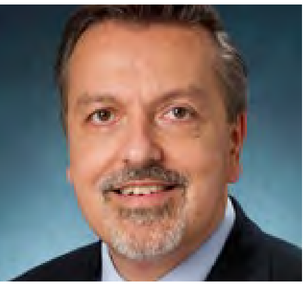
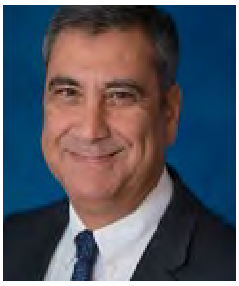
MIGNONNE CHENG
Chairman & Chief Executive Officer, Asia Pacific
BNP Paribas Wealth Management

Feature Articles

CONTENTS






Expert Insights

CONTENTS









Profiles



Co-published Articles


Directory


Published by Hubbis. Printed in August 2015 in Hong Kong.

Michael Stanhope
Chief Executive Officer
Hubbis
T (852) 2563 8766
E michael.stanhope@hubbis.com
W www.hubbis.com

56%

Citi Private Bank's cost-income ratio – and falling
Page 22

167

The average number of regulatory change events each day on a global basis
Page 26

RMB112 trn

The amount that China's private wealth market reached in 2014 – showing an annual growth rate of 16% from 2012
Page 48

99.7%

The percentage of private bankers in Singapore in 2014 which undertook the amount of relevant CPD that they were required to
Page 71

USD1.45 bn

The spend that Synpulse predicts on non-front related activities for private banking in Hong Kong by 2020
Page 84

62%

The percentage of audience at a Hubbis event who think improved consistency of returns is key way for asset managers to improve relationships with gatekeepers
Page 110

Content colour coding - for articles in this publication

REGULATION & COMPLIANCE	SKILLS
INVESTMENTS	STRATEGY & BUSINESS
FAMILY WEALTH	TECHNOLOGY

Wealth managers can succeed via scale or specialisation

There is room for both large and small wealth management providers in the Asian market. Regardless of size, the success stories will be those institutions with absolute clarity on what they want to achieve for themselves and clients.

Tighter regulation and heightened competition in the Asia wealth management space can be an opportunity for institutions both large and small. However, in order to thrive, an institution of any size needs to be absolutely clear about the clients they target, and the services they can, and cannot offer.

According to Paul Hodes, managing director, head of wealth management, consumer bank, Asia Pacific at Citibank, wealth management providers who are serving the HNW or mass-affluent segment are those that will need scale to survive.

"When you are looking at wealth management the need for economies of scale depends on which part of the market you are considering," he says. "I run a wealth business for clients with up to USD10 million of investible assets, so for us size does matter, but there are areas of the market in which it may be less important."

"When you look at wealth management the need for economies of scale depends on which part of the market you are considering."

PAUL HODES
Citibank

Thomas Meier, Asia Pacific region head and member of the executive board at Bank Julius Baer, believes large institutions faced particular pressure on income, so would need to bulk up even more if they were to thrive.

But Evrard Bordier, managing partner, Bordier & Cie, is reluctant to concede only those with scale would stand out.

"I am against the idea that only the big players can win," he says. "The small players can succeed in the market but they will have to be very focused on what they cover.

"They need to look at a few markets rather than all of them. If you are highly-focused you can leverage other organisations to deliver top class services."

"You need to look at your value chain and decide where you want to get in and where you want to get out."

THOMAS MEIER
Julius Baer

According to Michael Blake of Coutts, as well as survive, large and small wealth managers could in some cases share clients. "There is space for everybody. We are all aware that clients have different accounts and use different services from each provider," he says.

"There will continue to be growth across all segments."

At JPMorgan Private Bank, Peter Flavel, deputy chief executive officer for Asia, says any institution that is good at what it does has an advantage, but in certain areas only the large will thrive.

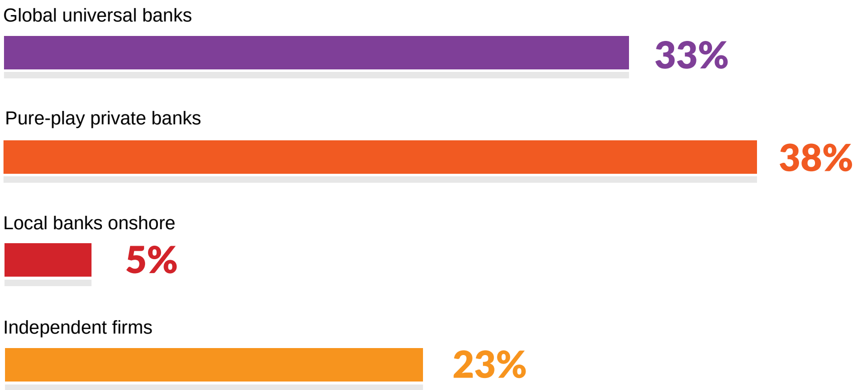
"If you are trying to deliver a full-service proposition, offering all asset classes including structured products and alternative investments, you will need USD500 million of revenue in order to have all the controls in place," he adds. "At the same time there are small organisations doing incredibly well with 10 to 15 bankers, but they are likely to stay at that size."

SUCCESS FACTORS

According to a Hubbis sentiment poll at its flagship Singapore event in May, there is no 'magic bullet' for wealth managers to differentiate themselves. The audience was asked which of the following five factors – culture, employee loyalty, investment performance, mobile and digital platform, or inter-generational wealth services – was the key to differentiation, and there was no overwhelming winner.

Investment performance and culture were nearly tied, with 31% and 29% of the vote respectively, followed by investment performance and inter-gen-

WHICH TYPE OF ORGANISATION IS BEST FOR THE CLIENT?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

"A culture of innovation is also critical for wealth players to succeed."

BRET PACKARD
ANZ Global Wealth

LEONTEQ
SWISS INVESTMENT ENGINE

Leonteq has received **more than 20 awards** since its foundation in 2007

THE QUINTESSENCE OF OUR MISSION STATEMENT

LET´S REDEFINE YOUR INVESTMENT EXPERIENCE

Leonteq's explicit goal is to make a difference through particular transparency in structured investment products and to be the preferred technology and service partner for investment solutions.

We count on experienced industry experts with a focus on achieving client's goals and a first class IT infrastructure, setting new standards in stability and flexibility.

OUR DIFFERENTIATION

Modern platform

- Integrated IT platform built from ground up with a focus on automation of key processes in the value chain
- Platform functionality to address increased customer demand for transparency, service, liquidity, security and sustainability

Vertical integration

- Control of the entire value chain as a basis for proactive service tailored to specific needs of clients
- Automation of key processes mitigating operational risks

Competitive cost per issued product

- Modern platform resulting in a competitive cost per issued product allowing for small ticket sizes

LEONTEQ SECURITIES (SINGAPORE) PTE. LTD.
Company Registration Number 201134784N
8 Marina View #39-02, Asia Square Tower 1 | Singapore 018960 | Phone +65 6690 5200 | Fax +65 6690 5298 | sg@leonteq.com

erational wealth services at 17% each. Mobile and digital platform came in last place with just 6%.

Regardless of size, and value proposition, Cornelius Ehrat, director, senior investment advisor, South-east Asia at Rothschild Wealth Management notes that all institutions will need to adapt to a new regulatory environment to survive, albeit with some differences from jurisdiction to jurisdiction.

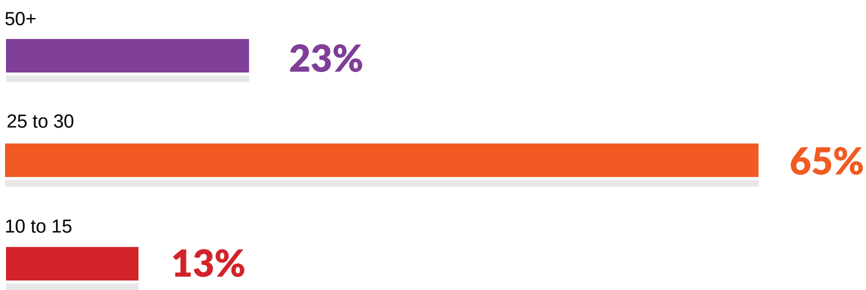
"The approach [to regulation] here [in Singapore] is more principles-based whereas in Hong Kong it is more about the client," he says. "Some people lend to riskier clients and others lend to very safe ones. It does not surprise me that there are these differences in approach."

Hodes at Citibank agrees, saying: "Whatever segment you are going after you are playing Asia's growth story. You need to be clean with your local and home regulators, and transparent with your clients. In the latter case this means giving the best advice."

"Human interaction is at the heart of any banking relationship and the idea machines will replace that is far fetched."

MICHAEL BLAKE
Coutts

HOW MANY INTERNATIONAL PRIVATE BANKS WILL REMAIN IN ASIA IN 2 YEARS' TIME?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

Blake at Coutts, meanwhile, believes there is an opportunity for somewhere like Singapore to standardise rules on distribution and advice. "We are spending money interpreting the rules in slightly different ways and asking the clients [in different jurisdictions] different questions," he notes. "A financial centre that seeks to standardise this has a great opportunity."

"I am against the idea that only the big players can win."

EVRARD BORDIER
Bordier & Cie

The differences in regulatory regime, however, could help concentrate the minds of some institutions, Meier notes, and were not necessarily a barrier to smaller players.

"[You need to] look carefully at your value chain and decide where you want to get in and where you want to get out. Regulatory costs will increase and pricing models will be challenged. One of the questions we have to answer is

"Performance will always be a factor but it will not be the only one. We focus very much on client service and soft factors."

CORNELIUS EHRAT
Rothschild Wealth Management

"Over the next few years the veterans who helped build Asia's wealth management industry will reach retirement age. This will reduce the number of professionals."

how clients will be willing to pay for services," he says.

The amount of wealth being created in Asia continues to be impressive across the board.

However, says Philippe Legrand, chief executive officer of London & Capital Asia, the growth in wealth is much faster than the growth in number of people able to service it.

For example, although some clients excel at creating wealth in their businesses, they realise that they need help when it comes to managing their nest egg, but also more importantly, structuring it. "In light of the growing international nature of Asian client, these are issues that wealth managers need to better understand and have the expertise to help clients," adds Legrand.

In addition, over the next few years, the existing veterans who participated in building the Asian wealth management industry so far, will start reaching retirement age. This will further reduce the number of experienced professionals able to respond to the evolving needs of these clients, he says.

Without the type of experienced guidance they need, clients simply don't know what the issues could be, and who to turn to for advice and solutions.

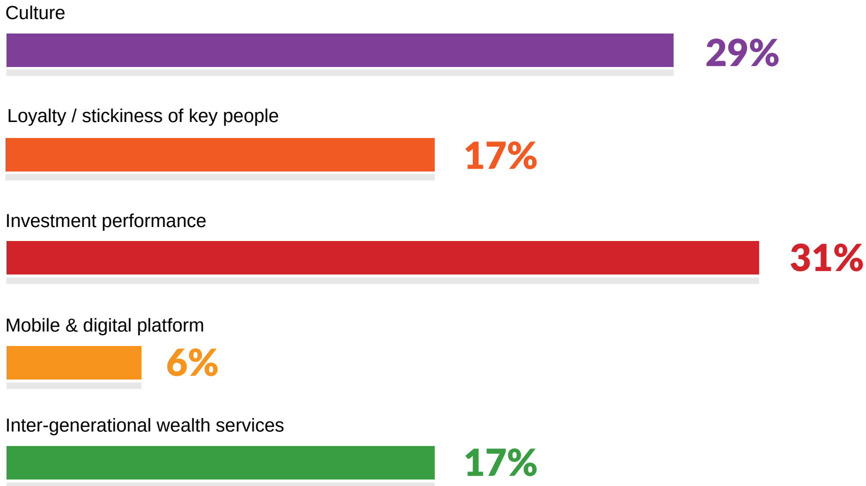
The first place they tend to look are to brand names. But they are now aware that the brand itself won't answer all their questions, says Legrand.

"This is leaving them a bit shaken as to what their options are, and the alternatives for getting appropriate and unbiased advice they need are not really presented to them in a clear manner."

Regardless, wealth managers have to focus on providing customers with products tailored to their needs.

"Performance will always be a factor [in gaining clients] but it will not be the

WHAT IS THE MOST EFFECTIVE WAY BANKS CAN DIFFERENTIATE THEMSELVES?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

only one. We focus very much on client service and soft factors," says Ehrat.

Flavel at JP Morgan agrees that institutions with client-aligned interests and objectives are highly valued, and notes that for a listed institution this could be achieved at the same time as focusing on shareholder returns.

"I run a commercial business so I need to generate ROE [for shareholders] but I can only do this if I look after the clients first," he says.

"While private banks originated in Europe, international private banks are focusing their attention on Asia."

BERNARD RENNELL
HSBC Private Bank

DRIVING DIGITAL

Technology is one way to achieve a closer relationship with clients, notes Hodes, with the industry having shifted away from an emphasis on providing transactions. "The key factor now is to ensure digital services are a part of the [client relationship]," he says. "Regardless of what the relationship manager is doing on a Monday morning the client must be completely aware of what is happening with their account – this is a kind of seamless advice."

Digitisation is transforming the way in which wealth management services are provided, in turn creating a new client proposition, according to Bret Packard, managing director, Global Wealth Asia, at ANZ Global Wealth.

"The new proposition involves delivering an integrated and seamless customer experience across channels that is simple, personalised and rich in customer insights enabled through big data," says Packard.

In his view, it goes beyond developing great apps; it is about applying digital technologies on the entire eco-system of solutions/platforms banks offer to their clients in response to changing customer behaviour – be it in transaction banking, payments or wealth planning. "This is becoming increasingly urgent as we are encountering a new generation of clients who are highly-mobile and comfortable with digital tools," adds Packard.

"At the same time, we are being disrupted by non-traditional players who are technologically savvy and keen to exploit niche opportunities."

Yet he urges the industry to move quicker. "I see opportunities in using digital technology in enabling portfolio reviews, wealth planning and providing customer insights through big data. Clients want more information, greater transparency, empowerment and quicker and more efficient service," explains Legrand.

In Australia, the bank's 'Grow by ANZ' app, for example, brings together banking, investing, insurance and insights in one place, making it easier for clients to grow and manage their money.

The bank is also developing digital tools which will allow clients to interact with their financial plan and evaluate the

"The growth in wealth is much faster than the growth in number of people able to service it."

PHILIPPE LEGRAND
London & Capital Asia


RBC

implications of life events on their financial goals. “These are concepts and learnings which we plan to leverage on for our operations in Asia,” he adds.

A culture of innovation is also critical for wealth players to succeed.

“This starts with the senior leadership of the bank and includes the responsibility of each and every bank employee,” says Packard. “In fact, the bank of the future may not even be a bank,” he adds. “To remain relevant, wealth players today need to pick the areas where they want to compete in, start on their digital journey and prepare to disrupt.”

Even so, Blake says, digital is unlikely to ever subsume every aspect of client relationships. “Human interaction is the heart of any banking relationship and the idea machines will replace that is far-fetched.”

ASSESSING THE FUTURE

While private banks originated in Europe, international private banks are focusing their attention on Asia.

“Asia continues to be the leading driver of global economic growth and creating new generations of affluent entrepreneurs and family business owners,” says Bernard Rennell, regional head of global private banking, Asia-Pacific, and global head of family governance and family enterprise succession, HSBC Private Bank. “These individuals are international in outlook and often also have multi-jurisdictional banking needs that cannot be adequately serviced by traditional retail banking or wealth management relationships.”

More often than not, these clients have multiple banking relationships to meet a range of needs.

“A private banker will become more of a client executive rather than being as ‘hands on’ and involved in all parts of the clients’ needs as he or she is today.”

FREDRIK LAGER
SEB Private Banking

“It is in this space that international private banks can provide essential and comprehensive solutions for these entrepreneurs and family business owners,” adds Rennell.

Despite some of the significant changes to some aspects of private banking, with the concept of ‘secrecy’ being the highest profile issue, none of them change the fundamentals of the private banking relationship.

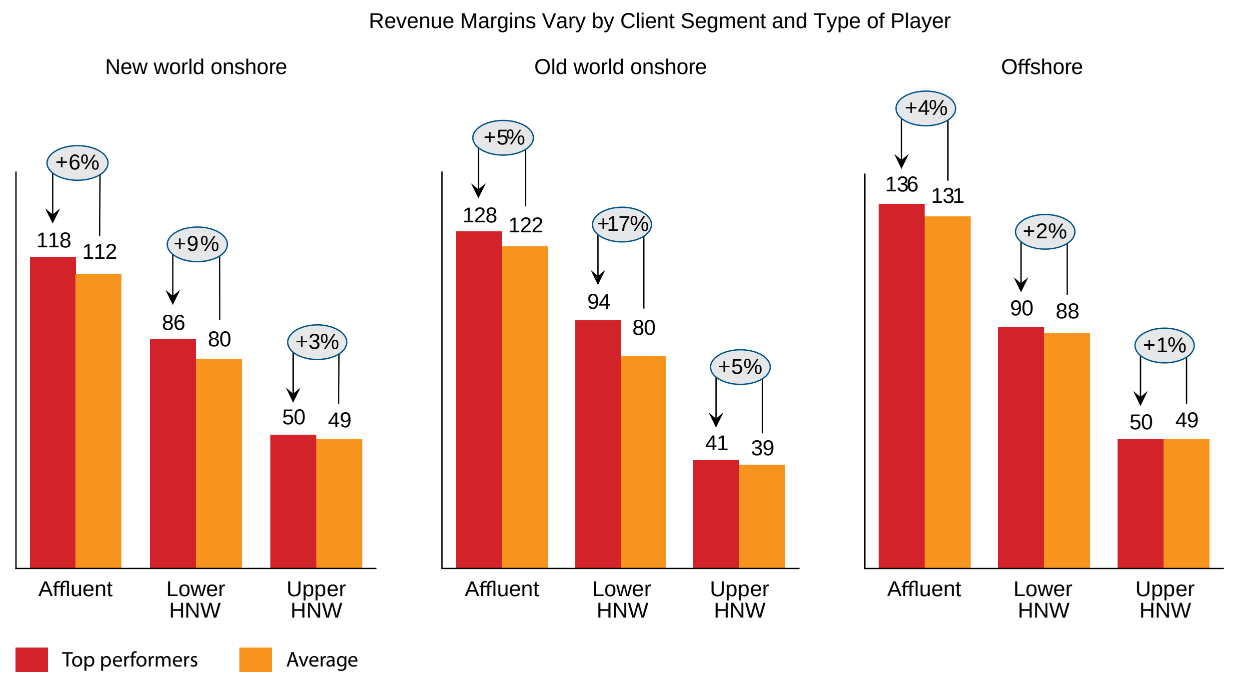
“Clients want tailored advice, integrity and confidentiality, and a highly personal relationship,” says Hanspeter Brunner, member of the BSI Group Executive Board and chief executive officer of BSI Asia.

The role of international private banking also has its place in Asia based on its traditional ties to values like family and succession – which arguably are stronger in the region than anywhere else in the world. “We’re having conversations with clients in Asia on issues like death and legacy which were almost taboo several years ago,” says Brunner. “Our clients also are increasingly focused on investments which will have a social impact; these are relatively new priorities for

“We’re having conversations with clients in Asia on issues like death and legacy which were almost taboo several years ago.”

HANSPETER BRUNNER
BSI

REVENUE MARGINS VARY BY CLIENT SEGMENT AND TYPE OF PLAYER



Source: BCG Global Wealth Manager Performance Benchmarking Database, 2013–2015

HNW individuals, so that suggests to me that our role is not only increasing but also evolving."

Another obvious opportunity relating to the growth of private banking in Asia comes from an inclination among clients to seek more structured, professional advice than has been the case in the past. "Many clients are looking for a relationship with a bank which can respond to their own values," explains Brunner. "This is not just in terms of entrepreneurial thinking but in understanding their desire to use their wealth to make a social impact."

A key role for international private banking in Asia is also to service the steady flow of entrepreneurs and other wealthy clients moving to the region who often prefer banking with the same private bank as they had while living in Europe. "It is about following your client out in the world," says Fredrik Lager, general manager for SEB Private Banking in Asia Pacific.

"I also think that private banks in Asia will serve, even stronger than what is the case today, as centres of excellence within its respective banking group when it comes to home market clients wishing to invest in Asia."

As a result, having a private bank in Asia is not just about catering to local clients in local Asian markets. Lager believes it is just as important to cater to Asian needs for clients in an international institution's home markets.

"For obvious reasons, the private bankers who are based in Asia have more knowledge and are better updated about the Asian markets than their colleagues in, for example, Zurich, Luxembourg or Stockholm," he explains.

"More broadly, foreign banks in Asia must stay loyal to their core values. "It is more about capital preservation for future generations than trying to double the clients' money every other year."

This not only means staying focused on their client strategy, but also ensuring that all business they take on is compliant, and that their private bankers are properly trained in cross-border issues and regulations.

Meanwhile, Asian banks looking to compete at a serious level need to provide international wealth management-quality advice and execution, along

"Private banking focuses more on trust, service and long term relationships. The majority of clients value simplicity and quality."

ARJAN DE BOER
ANZ Global Wealth

with the 'comfort' of understanding local/regional business practices that will allow access to balance sheet for their corporate needs.

"This seamless and holistic approach, delivered digitally as well as by personal interaction, will attract Asian clients to new Asian private banking businesses," says Robert Russell, division head, international private banking, at CTBC Bank.

"Diversification of counterparty risk will dictate that foreign and local banks will co-exist in a more balanced way in the next decade."

And over the next decade or so, he believes that financially sound, well-managed Asian commercial banks who are prepared to make the required investment to establish a compliant, transparent and trusted advisory private banking platform, that works hand-in-glove with their core corporate banking model, will replace the small/medium-sized foreign private banks currently operating with limited or no success in Asia.

"As the latter continue to withdraw to 'core markets' and 'core businesses', the emerging need for these new Asian players will offer commercial viability that previously didn't exist," adds Russell.

Going forward, there is also more likelihood that organisations will work together to forge strategic partnerships and connect different parties to bring opportunities to end-clients.

Strategic partnerships for Asian private banks will become increasingly attractive and prevalent, predicts Russell. "The key difference is that these relationships are more likely to be between Asian banks, rather than between Asian and non-Asian banks," he says.

Whether foreign or local, Arjan de Boer, head of private bank, North Asia, at ANZ Global Wealth, believes the banks that will emerge the strongest are those that show a real commitment to the region, and are able to serve clients in an integrated manner across channels for private banking and business needs, in multiple locations.

This is particularly important given that a large part of the wealth in Asia is not banked by private banks.

"This offers an immense opportunity, but the industry needs to tackle the reasons why including that potential clients are either not aware of, or not impressed with, the existing private banking offerings," explains De Boer.

"This highlights the importance of proper education and marketing of private banking services to potential private bank clients, especially given the steep rise in wealth in the region."

He adds that those banks that are well-positioned to capture the growth are those that are dedicated to the region, who take a long-term view and have a solid foundation and credit rating. ■

"Strategic partnerships for Asian private banks will become increasingly attractive and prevalent."

ROBERT RUSSELL
CTBC Bank

London&Capital

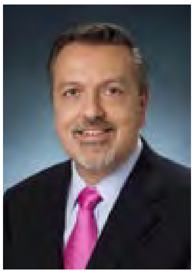
London & Capital Asia Limited

INDEPENDENT - PROFESSIONAL - TRUSTED ADVISORS
YOUR ONE STOP SOLUTION

Established in 1986 with offices in London and Hong Kong, the Group provides expert advice to private individuals, family offices, trusts, financial intermediaries and institutions on offshore and onshore investment strategies, with a strong focus on capital preservation and personal, tailored services.

With Hong Kong as its Asian springboard, London & Capital Asia is a Multi Family office, that services the full spectrum of the families' private banking needs as well as those generated from their family business in terms of corporate or investment banking solutions.

The Group has over USD3.9 billion of assets under management (as of December 2013), is employee owned and is SFC(HK), SEC(US) and FCA(UK) regulated.



Philippe Legrand - CEO
Philippe brings nearly 30 years of experience with International banks in private, corporate and Investment banking. He developed the Asian private banking platform for Rabobank/Sarasin in the late 1990's and subsequently headed the Private Banking North Asian operations of ABN AMRO. Before setting up L&C, he was Deputy CEO of BNP Paribas Wealth Management North Asia, a group for which he worked for more than 13 years. Based in Hong Kong since 1995 he has also worked in Europe, North America and India. Philippe speaks fluent English and French.

Sanam Ramchandani - Deputy CEO
Sanam brings nearly 30 years of experience in the International financial Industry. Before founding L&C Asia, she was Managing Director at BNP Paribas Wealth Management. Her experience of close to 20 years in wealth management also includes managing senior private bankers in both BNP Paribas, ABN AMRO and Rabobank. Prior to that, Sanam held various positions at Ernst & Young and the Rockefeller Family Office. Sanam is fluent in English, Cantonese, Hindi and Sindhi.

Benson Wong - Managing Director, Corporate Advisory
Benson brings nearly 25 years of experience in Investment Banking and has transacted more than US$12 billion in mergers and acquisitions, capital markets and corporate advisory deals. He was most recently head of Greater China Debt Capital Markets (DCM) at BNP Paribas. Prior to that he was head of DCM at Bank of China and a Director in mergers and acquisitions at ING Barings. Benson speaks fluent English, Mandarin, Cantonese and Shanghainese.

A shake-up and shake-out for global private banking

Former EFG Bank chief executive and industry veteran Lonnie Howell explains why the current business approach of global private banking is a thing of the past. Yet servicing HNW clients on a global basis still represents an exciting and growing opportunity.

Global private banking in its current form is an outdated business model that only a handful of the largest or most specialised players are capable of – or even interested in – making work.

The evidence to support this is mounting. The majority of institutions in this space have either been busy pulling out of certain markets, or withdrawing substantial parts of their business from them – in some cases reducing their overall market coverage by 60% to 80%. And this is expected to be an ongoing process, with operations likely to be further streamlined.

The largest global wealth firms like Credit Suisse and UBS, along with more specialised firms like Julius Baer, for example, have become the exception rather than the norm for their seemingly robust and sustainable strategies.

This is much more than just an identity crisis for this 300-year old industry. "[Banks need to] either refocus or get out of the industry," says Lonnie Howell, former chief executive of EFG Bank, now chairing UCAP Asset Management.

M&A SETTING THE TONE

The relatively recent sales of Coutts' international business, Societe Generale's Asian private banking division and BSI's global platform, are just a few of the headline-grabbers.

But the much broader shake-up that has been bubbling away under the surface is evident from research released in February 2015 by Scorpio Partnership. This showed that 14% of all AUM in Asia Pacific has changed hands among wealth management firms since 2008. In Europe and North America, meanwhile, there have been equivalent movements of assets of 60% and 23% respectively.

This latest assessment on M&A in global wealth management reveals the total volume of HNW assets purchased in the past seven years is USD2.2 trillion, of which around USD460 million was in 2014 alone.

LONNIE HOWELL
UCAP Asset Management

Last year was also the first time when the foundations of Swiss private banking were shaken so visibly. The volume of assets changing hands in Switzerland surpassed USD138 billion, said the Scorpio Partnership research, representing 59% of all assets changing firms in that market since 2008.

NO LONGER AT THE CORE

In the wake of this unprecedented level of industry consolidation, almost all banks are notable by their silence.

This has been a striking about-turn from the approach only two to three years ago, especially in Asia, when public declarations of growth and hiring were the norm.

Today, onlookers would be right in thinking that private banking is no longer a core business strategy for most.

There are several specific reasons why Howell believes current business models face such a bleak future.

While every institution has its own problems, it comes down to an aggregation of five key issues, he explains.

The first relates to the legacy issues each bank faces across the organisation as a whole, not just within the wealth division. The upshot of these is that it is difficult to justify to any stakeholders, ranging from shareholders to regulators, why the bank in question has any other priority than simply fixing the primary business. "That means getting one or more of retail banking, investment banking and corporate banking right first," explains Howell. "Banks shouldn't be diverted with anything which is not core to their mission."

He adds that the difference for a firm like Credit Suisse or UBS, for example, is that it is investment banking which is most likely to be cut back initially, given the focus on private banking and asset management.

"Banks need to either refocus or get out of the industry."

A second significant issue that Howell says is driving a wedge within the industry is capital allocation. This comes down to where each bank is going to put its money, he explains.

"Capital availability is decreasing because capital ratios, leverage ratios, and liquidity ratios are escalating, forcing banks to narrow their focus."

This ties into private conversations banks are having with regulators, who would prefer not to see banks with significant global exposure and rather that each business is self-contained and stand-alone, preferably local.

An "onshoring" of investment management or its private banking equivalent, especially for smaller to medium-sized client portfolios, is therefore inevitable. This further diminishes and dilutes the benefits of global banking.

"Banks are more constrained in moving capital across their vehicles because they are in a local corporate structure rather than a branch one, and doing so would essentially create arm's length relationships between every one of the individual entities." explains Howell.

Caps on pay is a third game-changer impacting global private banking.

In reality, says Howell, in places like Europe where bonuses are generally restricted to two-times salary, at best, it is difficult for the more entrepreneurial individuals to stay motivated.

A fourth game-changer is the need for fully compliant and transparent banking – which is difficult for many players to do profitably without sufficient scale or a truly differentiated value proposition.

Stemming from these existing challenges is a fifth change-driver for global private banking – the fact that most institutions aren't actually run by private bankers or executives with much practical experience of the industry.

That breeds a lack of real understanding of the business, and by definition a focus on the businesses these executives understand well, says Howell. So in anticipation of the complexities they now face, and potential losses and reputational damage they foresee, one hand is already on the exit.

"Why put in the intellectual capital to figure out a new answer?" he says. "Instead they will likely further reduce market coverage as they face ongoing pressure to refocus." ■

Leading a race to the top in Asian private banking

Bassam Salem of Citi Private Bank is unfazed at the wave of industry consolidation and competition leading to a scramble among many institutions for AUM. His is a clear proposition focusing on clients of a scale where the bank's core capabilities add real value.

With a cost-income ratio of 56% – and falling – Bassam Salem is right to be quietly content with the success of his business model. "People measure success differently," says the chief executive officer of Citi Private Bank in Asia Pacific, who is also a 35-year veteran of the industry. "I look at both revenues and expenses, which is the cost-income ratio."

As a result, he has been able to spearhead the profitability the institution enjoys today by maintaining a clear focus on UHNW clients with a minimum of USD10 million in assets. The same cannot be said for many of his competitors, which have looked – often mistakenly – to adapt their offering to try to capture as big a share as possible of Asia's growing population of emerging affluent and HNW individuals.

With banking secrecy gone, and a re-pricing of the market, many European private banks, Swiss ones in particular, have rushed to Asia to attempt to breathe life into what has become a challenged model at home. But they have found it difficult to live up to the expectations, based on projections they and their consultants have made.

Citi Private Bank, on the other hand, doesn't have to convince anyone of its value proposition. As one of the longest-established players in the UHNW space in Asia, Salem doesn't face quite the same uncertainty and pressure as many of his counterparts.

NOT A NUMBERS GAME

It has been compelling for many private banks to try to provide a broader range of products and services to appeal to the lower tiers of Asia's wealthy.

With more and more clients questioning whether they want to bank in Zurich or Geneva, or in Paris, Milan, or Frankfurt, for example, and consultants talking up growth in Asia, the ever-larger pool of USD1 million-plus individuals has attracted interest from institutions traditionally focused higher up the wealth pyramid.

BASSAM SALEM
Citi Private Bank

Yet they typically find a massive imbalance. "Based on some misleading information, a lot of banks believe the 'El Dorado' is in Asia, so they come here, only to find high costs, high expenses, high rents, high salaries and highly-regulated markets," explains Salem. "And they don't find the clients that they were promised."

For example, in reality the definition of HNW refers to a net worth of USD1 million. "Anyone who has bought any property in Hong Kong or Singapore is potentially a millionaire," explains Salem. "But are they a target client? Are they bankable? No, and no."

The Asian private banking opportunity gets further misrepresented because the statistics include HNW individuals in local markets such as Indonesia, India, China, Taiwan and so forth. Yet most models revolve around an offshore model in Hong Kong and Singapore.

"Anyone who has bought any property in Hong Kong or Singapore is potentially a millionaire. But are they a target client? Are they bankable? No, and no."

Further, USD1 million today doesn't go nearly as far as it did in 1981, when Salem joined the private banking industry in the first place.

"If you take the 1980 US dollar and adjust it for today, accounting for inflation and the depreciation in the value of the currency, it is around USD10 million, which is where we at Citi Private Bank start," says Salem. And this really is just a starting point in order to open an account.

For those so-called private banks which continue to open accounts for individuals with USD1 million in net worth, this is effectively USD100,000 in 1980s US dollar terms. "These clients are clearly not a target for private banking," adds Salem.

MODELS MADE FOR ASIA

The focus on account minimums underscores the importance for private banks of having a model that suits the clients that the institution is targeting and is geared up to service.

"The right business model is the one that addresses the needs of the client in Asia; the real target market client," says Salem, adding that this should drive the strategic direction that every chief executive officer takes for his or her Asian operations.

In his view, many private banks simply import a business model into Asia that doesn't really correspond to what the clients in this region want or need.

In China, for instance, many clients have made their money by listing their company in Hong Kong and the only asset they have is their company, so they give the bank their shares as collateral and look for capital market solutions. However, when a Swiss bank, which prefers a diversified portfolio approach, discusses this with its credit officer in Zurich or Geneva, there is little appetite to lend.

Further, most Asian clients don't engage asset management and discretionary portfolios in the same way as many European private banks are geared up to provide.

"While nearly 50% of our investment revenue comes from managed investment, it is very different from plain-vanilla managed portfolios," says Salem. "We do a lot of private equity, real estate and hedge funds, which is what Asian clients want, but not what many [European banks] do."

An example of the type of real estate deals Citi Private Bank executes for and with its clients are single-property funds. "We did one for instance in New York in Manhattan, at 432 Park Avenue, where we financed the tallest residential building in New York," explains Salem. "Every time [with such deals] we raise USD100 million to USD200 million only from Asian clients."

The cost for private banks of not paying enough attention to cost-income ratios and requirements of Asia's wealthiest is often head office deciding to exit the market – witness the sales of Merrill Lynch's international wealth management business to Julius Baer, Societe Generale's Asian private banking operations to DBS, BSI Bank's business to Brazilian investment bank Grupo BTG Pactual, and Coutts' international business to Union Bancaire Privee.

GROWTH DRIVERS

In acknowledging the challenges for his counterparts, Salem is very focused on where growth for his own business will come from: China and India from a geographic perspective; and managed investments in terms of solutions.

"Our growth in China and India is in the range of 45% to 50% per year," says Salem. "These are great markets for us, and these places are where we have been investing."

For its managed investment offering, at just under 50% of the bank's overall investment revenue in Asia, Citi Private Bank bucks the trend in a region where people say clients in Asia don't give discretionary mandates or invest in managed portfolios.

To overcome the restrictions and subsequent reputational risks that cross-border regulations create for private banks in Asia, Salem opts for setting up a managed portfolio.

"When clients have signed on to a series of discretionary portfolios, all their transactions are executed by the portfolio manager, so the risk for the business is much lower and we get annuity revenue," he explains. "We don't have to call and sell a new idea every time."

This business model at Citi Private Bank is a combination of segregated portfolios managed by Citi Investment Management, and alternative investments such as private equity, real estate and hedge funds, typically run by third-party asset managers.

"Our growth in China and India is in the range of 45% to 50% per year. These are great markets for us, and this is where we have been investing."

Salem's strategy to grow in these areas and geographies is inter-connected, linked to the fact that the bank's business model is largely cross border, based on the licences it has in Hong Kong and Singapore. The only exception is India, where it is present onshore, in Mumbai, Delhi and Bangalore.

"If the client is in Hong Kong or Singapore, then we can do lending, banking, asset management and capital markets," he explains.

"When the bankers go and meet with clients in Jakarta, Beijing, Shanghai, Taipei, Bangkok or Manila, for example, we cannot sell them any securities."

For the types of clients that Citi banks at the USD10 million-plus level, they appreciate the greater transparency offered by segregated portfolios in comparison with mutual funds.

"Since the financial crisis in 2008, they like to see what is inside their portfolio," says Salem.

"With a mutual fund, the manager will show you the top 10 holdings, but these might only represent 20% or 30% of the total portfolio. For a segregated

Citi Private Bank's broad range of clients

Entrepreneurs and business owners *– the bank is a partner to technology and real estate entrepreneurs, principals of venture capital, private equity and hedge fund firms, and other successful business owners.*

Corporate executives *– the bank works with owners and executives of both publicly-traded and privately-held companies, helping them grow and preserve their personal wealth. This includes planning before, during and after a liquidity event, and structuring a wealth plan that suits individual situations.*

Family offices *– with over 850 family office relationships, Citi Private Bank's Global Family Office team know that every family office is as unique as the families that they serve.*

Law firms and attorneys *– the bank's Law Firm Group serves as one of the premier advisers to the legal profession, committed to serving the financial management needs of some of the world's top law firms, their partners and associates, and with experience in the complex investment, banking and cash flow requirements of law firms and legal professionals.*

Next generation *– the bank's Next Generation team focuses on providing programmes, tools and resources to the children of its clients. It creates networking environments in which young adults can meet their peers, connect through a shared experience and gain access to a global NextGen community – a network that spans 35 countries and dates back to 2002.*

portfolio managed by a third-party, the entire list of securities is made available, consolidated by stock, sector and manager," he explains.

Also, he adds, clients want proximity. "They want to speak to their portfolio manager, and if they buy a mutual fund and there is a crisis, the first person a fund manager would talk to is his largest institutional investors, not a retail client," says Salem. "When clients have their own portfolio managers based in the region, they have that proximity."

THE LURE OF LOCAL MARKETS

Similar to his counterparts at many private banks, Salem has been focused in recent years on exiting all the hubs where his predominantly offshore business model wasn't making much financial sense. In doing so, he was able to reduce the bank's cost-income ratio from 84% to 56% today.

So for him to go back onshore, in any market across the region, the venture needs to be money making.

Inevitably, he has China in his sights.

"The big elephant in the room is China," says Salem. "If you were to go onshore you would want to go to China. The challenge is the regulation means that to conduct private banking activities over and above the banking licence that Citibank has, we need a brokerage license, a trust license to do asset management, and we can only own a maximum of 35% of these."

Given his priority on profitability, he doesn't subscribe to a wait-and-see approach in such developing markets.

Instead, the day China opens up, which may come soon based on the pace of the reform agenda, Salem will be ready to make his move. He is confident that he can take advantage of the potential quickly, via the existing Citibank presence across the country.

In the meantime, he has carved out a good business capitalising on China's wealthy off-shoring their assets.

"It is a big business," says Salem. "We only deal with entrepreneurs, who typically list their companies offshore, in Hong Kong."

They look to borrow against the stock in Hong Kong to do one of a few things, he explains.

For instance, they might buy stocks in Hong Kong, because they like to reinvest in their local market so look for the capability to trade and use leverage.

Or, they want to buy a "trophy" property somewhere like London, New York or San Francisco, either commercial or residential, and need financing help.

Or, they create a discretionary part of their overall portfolio to achieve a certain amount of diversification.

By concentrating to date on the top end of the China market, Salem says the bank has been successful enough in making the Citi name well known, that he doesn't rule out the possibility of going onshore at some point.

GETTING THE BALANCE RIGHT

Ultimately, Salem's four stakeholders determine his strategy, and he must keep each of them happy.

One of these comprise his shareholders, which want to see a profitable business. "They are not in the business of throwing money into a venture on the expectation that in 10 years' time they will make money; they want to make money today," he explains.

A second group are the regulators, which give the bank a licence to operate – and can just as easily take that away. Given the massive consumer bank presence Citi has in most countries in Asia, the private banking arm cannot flirt with the regulation at all.

A third set of stakeholders are the bank's clients. "I have to give them competitive pricing, product and services," Salem says.

The fourth group are his colleagues in the private bank.

His commitments to them are to provide a working environment they enjoy, attractive remuneration, and opportunities to learn and grow.

To make his model work, Salem is happy to be part of the same business as the investment bank.

"In 10 years' time, I bet you [my main private banking competitors] will have the business model that we have today, but in 10 years' time we will be way ahead and we will be doing a different kind of private banking," he says.

This isn't because he likes change for the sake of it, but because the model will evolve in line with the market, as well as the demands of his clients.

"When other CEOs think about how to make money, they just need to listen to their clients and offer them what they need, not what the bank has to sell," explains Salem. "If they do this, they will be profitable." ■

What banks must do to cope with rising compliance

Banks have to handle regulatory changes, and adding more staff alone cannot lighten this burden. Increasingly, institutions are going to have to outsource some of their needs to other companies, says Kristen Tiner of Thomson Reuters.

Private banks are struggling to keep up with the increasing amount of regulatory change and subsequent obligations, and will need to turn to third-party solutions to meet their needs.

An obvious solution is to standardise and automate their processes around collecting and disclosing information, but this could prove a touchy subject for an industry that has historically placed a lot of value on confidentiality and discretion.

The issue has risen to the fore given the sheer quantity of changes to financial sector rules across the globe over the past seven years.

"According to our recently-published 2015 *Cost of Compliance Survey*, over 40,000 regulatory change events took place globally in 2014," says Kristen Tiner, head of risk for Asia Pacific at Thomson Reuters. "This contrasts with 2008, in which there were just 8,700, so the sheer volume of information has gone up exponentially. On a global basis, an average of 167 regulatory change events take place each day."

The bigger and more internationalised an organisation is, the more of these changes it must keep abreast of.

SPIRALLING COSTS

As a result, international banks in particular are allocating more resources to compliance functions. "From last year to this year there has been a 51% increase in compliance jobs being advertised," says Tiner. "So experienced compliance professionals are definitely a hot commodity now. However, I think it is an impossible model to sustain. Some institutions have already told us that they have more compliance staff than they do traders or revenue generating staff."

Institutions in Asia have been particularly willing to add compliance personnel, as they typically cost less in this region than in Europe or the US. Yet despite this, the sheer pace of change threatens to overwhelm banks.

KRISTEN TINER
Thomson Reuters

Unique insights. Perfect balance.

At ANZ Private Bank, we appreciate your need to achieve that delicate balance between work and family life, between your professional and personal needs. Our comprehensive suite of wealth management services allows you to achieve a more satisfying balance, enabling you to spend more time on what matters most.

Our trusted advisors will work closely with you for an in-depth understanding of your individual requirements in order to deliver bespoke solutions to help you grow, protect and connect with your wealth.

With offices in Singapore, Taiwan, Hong Kong and Indonesia and a strong presence in both Australia and New Zealand, ANZ Private Bank is able to bring the very best local and regional opportunities right to your doorstep.

To arrange an introductory conversation please contact your nearest ANZ Private Bank office.

In Singapore call +65 6681 8018 or email privatebanksg@anz.com

In Hong Kong call +852 3918 2200 or email privatebankhk@anz.com.

ANZ PRIVATE BANK

"I am astonished by the number of people working in risk and compliance functions in the wealth management space who don't feel comfortable that they understand the rules and regulations that actually apply to their business," notes Tiner.

And merely throwing more bodies at the issue does not necessarily fully address the ultimate need of an institution, which is to meet the rules in an accurate manner.

"By adding a lot of new staff you introduce more risk through the potential for human error," says Tiner.

Added to this are the complexities of dealing with regulatory obligations in a region with as many countries as Asia Pacific. Tiner notes that nations like South Korea and Taiwan have strict rules about client data crossing their borders.

"If you are a global or regional firm and want to onboard a client in Singapore that you already work with in Taiwan, you cannot share the data from one with another."

STANDARDISATION REQUIREMENT

With financial services companies struggling to cope with their compliance responsibilities, companies such as Thomson Reuters are seeking to offer information standardisation services.

"It is ultimately far more cost efficient to automate as much information analysis as possible through data feeds," says Tiner.

"We are being asked to help streamline the onboarding process of global banks in the general and institutional banking spaces, which is where we have launched our Org ID KYC (Know your Customer) managed service," she adds.

"Currently a buy-side firm that goes out to 15 banks often has to produce up to 15 different paperwork packets with 15 different standards of collection."

By liaising between the banks and buy-side firms, Thomson Reuters can eliminate much of the stress, time and hassle of replicating paperwork, and help reduce the danger of human error too.

Such services have to date been mainly taken up by more general banking departments, with private banks steering clear. Tiner understands their reticence, despite the rapidly increasing demands for information disclosure about HNW and UHNW individuals.

"Private bank clients are likely to be concerned about data privacy, and probably won't want to see all their documents housed in a single database."

That said, it looks almost inevitable that private banks will move towards such solutions, as they seek to reduce costs and inefficiencies. "A lot of wealth management firms are approaching us and asking what is happening on the global banking side," Tiner says.

KYC CONSIDERATIONS

KYC and automatic exchange of information requirements are also making private banks overly-cautious about accepting potential clients, despite most of them being legitimate clients.

"One [wealth management] firm told us they are turning away about 20% of applicants at the moment, when they think the number should be closer to 4% to 8%," says Tiner.

Although the regulatory pressure being placed on private banks to increase the information disclosure of their clients is proving painful, it is also likely to force them to probe existing and prospective clients for more information about the sources of their wealth. That offers opportunities to companies like Thomson Reuters, to help them conduct this due diligence in an efficient manner.

"We have a very large enhanced due diligence business that is thriving in this particular area, and it just takes the effort or the resources on the ground to go and gather the required [client] data," explains Tiner.

It is a service more banks will be likely to call upon, she predicts, giving the regulatory pressure they are coming under to accurately disclose details of their clients.

"Saying that 'it's just too hard to get that information' is probably not going to stand up well to a regulator's scrutiny," says Tiner. "It is possible to get that information, it just isn't easy." ■

"Over 40,000 regulatory change events took place globally in 2014. In 2008, there were just 8,700."

Client and compliance at core of wealth management in Asia

Providing the right type and level of service according to clientele and geography is a vital element of wealth management in Asia, whatever label is applied to a particular institution.

The concept of private banking is alive and well in Asia, but is increasingly taking on a wider 'wealth management' feel as customer needs and regulatory reqirements expand.

According to Hans-Peter Borgh, chief commercial officer, Private Banking, Asia & Middle East at ABN AMRO Private Banking, the term 'private banking' retains its core meaning as a channel for providing tailored services to an individual needs.

"Within wealth management we are talking about money management, wealth transfers and also banking services ... as well as wealth structuring."

DENNIS KHOO
UOB

"We deal with individuals and want to meet their needs and hopefully exceed them, but the prestige of private banking isn't the major driver of branding," he says. "If there was a common understanding it would be convenient, but in reality it is for each bank to create its own value proposition."

Andrew Hendry, managing director, Asia at M&G Investments, points out that the history of the phrase 'private bank' was originally related to the ownership of a financial institution, rather than the clients it served. "Wealth management should be the lingua franca for us today," he adds.

Dennis Khoo, head of personal financial services for Singapore at UOB, says wealth management encompasses a range of services tailored to HNW and UHNW individuals. "With wealth management we are really talking about money management, wealth transfers and banking services, as we do provide these, as well as wealth structuring."

And David Stone, director, structuring and product development, Asia at Amicorp Group, notes that his company continues to do a substantial amount

> **"It is for each bank to create its own value proposition."**
>
> **HANS-PETER BORGH**
> ABN AMRO Private Banking

cannot just restrict ourselves to private banking," he adds.

New generations of wealth are not concerned with labels, says Hendry, which means that there is room for every type of wealth manager to thrive via expanded service offerings, including digital.

"There are innovative smaller or rejuvenated private banks where the service proposition, including digital, can be for a younger generation of wealth."

of work with private banks, stressing the need to tailor services by geography.

"The meaning of wealth management is different depending on the market," he says. "In Singapore, which is a young financial centre, we are surrounded by emerging markets, so we inevitably have an international focus."

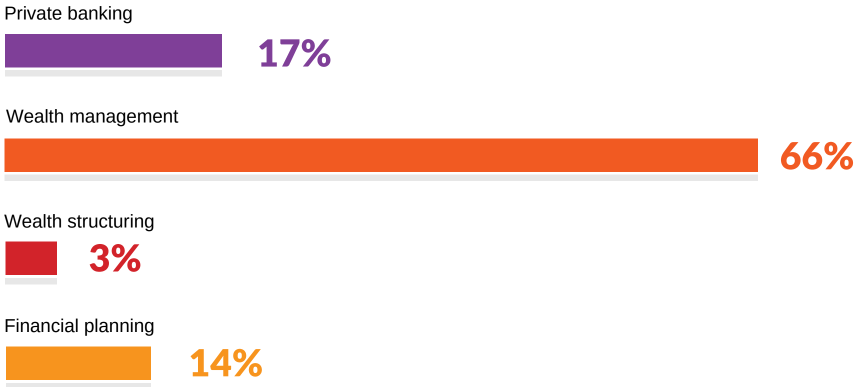
This means Amicorp has to deal with issues such as exchange controls, wealth structuring and even statutory reporting on behalf of clients, so needed to have a broad offering, he adds.

BREADTH AND DEPTH

Prabhat Ojha, senior investment director, and director, private clients, Asia at Cambridge Associates, refers to wealth management as the "mothership" through which providers needed to offer a broader spread of functions and services than just those typical to private banking.

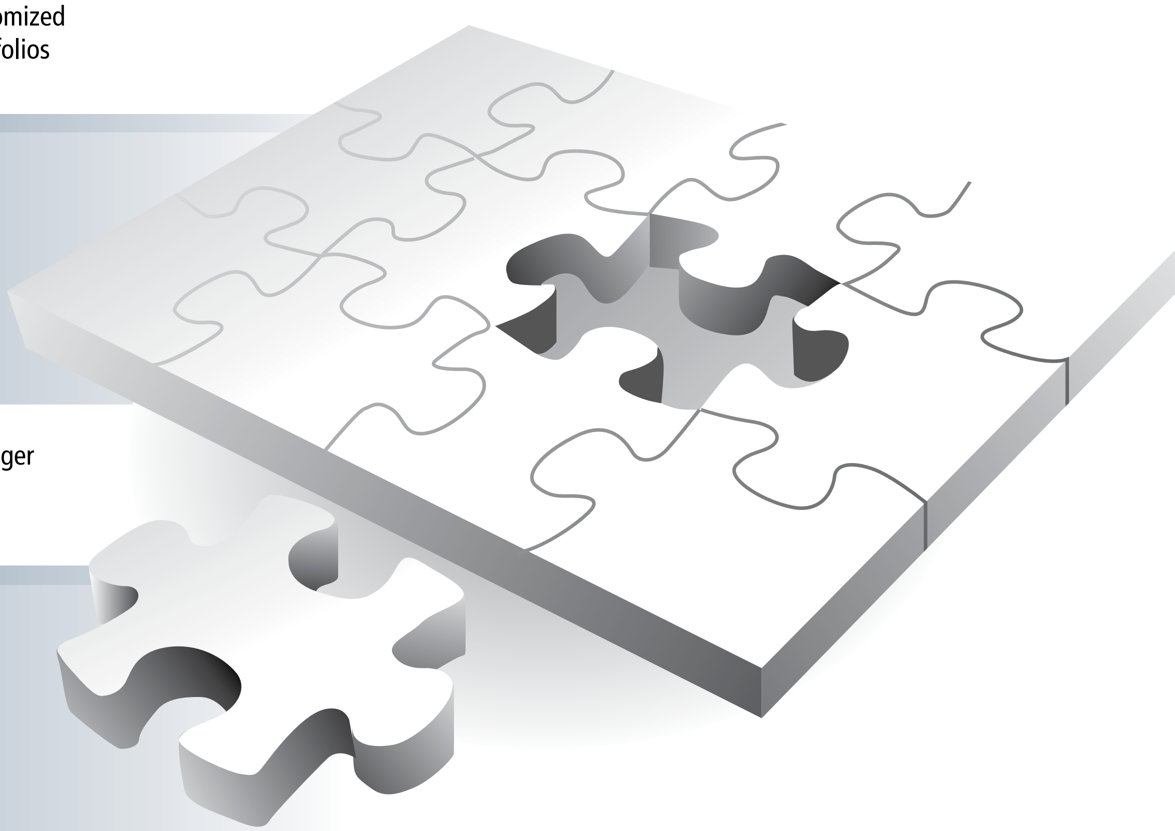
Sen Sui, chief executive of the Singapore branch at Credit Agricole Private Banking, agrees. "Client demands will become increasingly sophisticated. We will need to provide more services and

WHICH OF THE FOLLOWING TERMS IS MOST RELEVANT TODAY WHEN YOU THINK ABOUT THIS INDUSTRY?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

> **"We already have a very big compliance team and will have to add more staff. They are already not in short demand."**
>
> **ENG HUAT KONG**
> EFG Bank



"And there are multi-family offices that have given them a more rounded service. I don't think the customer cares as much [about the name]."

More automisation is seen to be of particular importance given the increasing regulatory burden on advisers, particularly with the advent of common reporting standards (CRS), notes Stone.

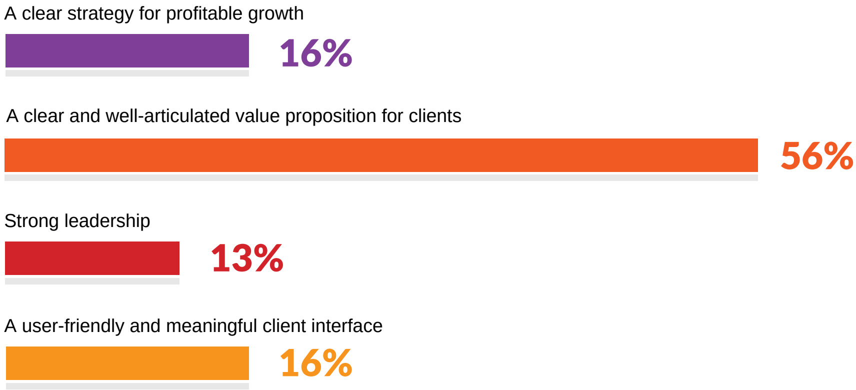
"Our clients will have to file tax information with local authorities and this will need to be shared. More than 80 countries have signed up to CRS and the only way to [deal with this] is technology," he says. "It is going to make a huge difference to the way wealth managers are going to have to operate."

Abhra Roy, head of the 'Finacle' wealth management solution at Infosys, agrees. "The industry is going to become more transparent and the banks will be obliged to file sufficient reports. Regulators will have more access whether it is CRS or something else."

"Wealth management is the mothership through which providers need to offer more functions and services."

PRABHAT OJHA
Cambridge Associates

FOR MOST WM FIRMS – WHICH OF THE FOLLOWING IS LACKING THE MOST?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

In this environment, it was vital to see which parts of the banking process could be automated, but getting the right people was equally as important, notes Eng Huat Kong, chief executive officer for Singapore and South-east Asia at EFG Bank. "We already have a very big compliance team and are going to have to add more staff. They are alreay not in short demand."

Indeed, in a Hubbis sentiment poll at its flagship Singapore event in May, the audience was asked what they expected to be the biggest drag on bottom line in 2015. The cost of compliance was the overwhelming winner, with 81% of the vote.

"Wealth management should be the lingua franca for us today."

ANDREW HENDRY
M&G Investments

"We should focus on people on process and how to train staff, and have the right systems in place to capture client information."

SEN SUI
Credit Agricole Private Banking

Practitioners see regulation as a "moving target", making it difficult for institutions to keep up, with some even scrapping projects when realising new regulations make them unworkable.

Indeed, according to Hendry, establishing a strong compliance system can be a competitive advantage for some private banks, as it might enable them to provide services others could not. "Our private banking clients tell us their counsel is saying one thing and ask what ours is saying," he explains. "There are grey areas and clients can get upset if they find they can't do something with us but can with another bank."

DIFFERENTIATION

According to another Hubbis sentiment poll at the event, more than half the audience believed institutions will need to develop a clear and well-articulated value proposition for their clients in this new environment.

"We cannot be doing everything for all clients," says Borgh. "We need them to understand what we can add and if we are not clear we could get in trouble."

Sui also agrees, saying institutions could make a difference to clients by understanding their needs, and helping them to understand concepts such as risk-reward. "We should focus on people on process and how to train staff, and have the right systems in place to capture client information," he adds.

It is perhaps no surprise to find organisations struggling to carve a niche for themselves in a market hugely proliferated by what some observers call a "supermarket" of wealth management products and services.

In response, the more forward-thinking organisations are looking to shift their focus towards superior personalisation and flexibility. "Organisations are beginning to realise that every customer has the potential to carve a niche in a market which was once unexplored," explains Andrew Quake, general manager of Aspire Lifestyles in Malaysia and Singapore.

But the industry cannot ignore the challenges that clients face in getting the advice they need, plus it must be able to respond to these requirements in a way that also is in line with the various regulatory frameworks.

Lawyers, accountants and financial advissrs all have a part to play as a team, but different positions from which to do so, says Philippe Legrand of London & Capital Asia. "This takes a certain amount of time and investment by organisations to get their infrastructure and offering right."

This is likely to lead to further specialisation within the industry because organisations cannot be good at everything, he adds.

For boutiques like multi-family offices, Legrand says clients are increasingly aware they are more than just a traditional wealth management platform. ■

"Organisations are beginning to realise that every customer has the potential to carve a niche in a market which was once unexplored."

ANDREW QUAKE
Aspire Lifestyles

Asia's generational shift to drive private banking growth

In preparation for the coming era of change in Asia, the self-made ultra-wealthy are passing the baton to their next generation. Private banks must adapt their offerings to capture this new segment of clients, says Mignonne Cheng of BNP Paribas Wealth Management.

Looking deeper into industry research about the rapid wealth creation in general in Asia Pacific, including notably in the category of self-made billionaires, the shift in focus to the next generation in fact presents the real opportunity for private banks.

Where private banks can add the most value is in helping a billionaire family deal with some of their most important and profound problems.

These might include turning one generation of success into a long-term legacy, or ensuring that the family business continues to thrive.

The focus on these clients by offering relevant services and solutions is gaining momentum in the industry.

As an example, Mignonne Cheng, chairman and chief executive officer for BNP Paribas Wealth Management in Asia Pacific, says she and her colleagues take the bank's next-generation relationships very seriously.

"Apart from perfecting our relationship manager's skills in working with younger clients, we also invest significant efforts into our annual flagship Next Generation event in Asia. It actively promotes dialogue with younger clients through topics such as financial innovations, entrepreneurialism, thought leadership and social impact."

Key to making this a successful outcome for the bank, adds Cheng, is the proprietary nature of the event. "It is entirely curated by our in-house resources, tapping into our own network and thought leadership. Hence, we can offer a platform on which young clients can share best practices with like-minded young adults."

SUCCESS IDENTIFIED

As wealth management organisations of all types and sizes vie for their share of Asia's large – and growing – pie of potential AUM, there is no hard-and-fast rule as to which business model will succeed.

MIGNONNE CHENG
BNP Paribas Wealth Management

Certainly, each approach has its own strength. However, an integrated model which builds on a thorough understanding of the industry, clients and the market, plus draws expertise from the various disciplines in wealth management and corporate banking, is critical to ensure that clients receive the quality of services they expect, explains Cheng.

"For BNP Paribas Wealth Management, our 'One Bank' model that serves UHNW individuals and their companies on both personal and corporate levels has worked really well for our clients," she says.

For example, it allows the bank to mobilise resources by introducing clients to services provided by its corporate and institutional banking group in addition to wealth management offerings.

"The "One Bank" model is based on our client-centric philosophy which has been deeply entrenched in our culture," adds Cheng.

"Our holistic approach ensures that not only are clients able to tap into a wide range of product offerings from wealth management; they also benefit from services provided by other business groups within BNP Paribas."

THE UPPER END

One of the most compelling ways to maximise such a breadth of resources is servicing clients at the higher end of the wealth pyramid.

With this in mind, and to make the best use of the bank's platform structured to servicing UHNW clients, it set up its 'Key Client Group'.

This comprises a specialised team dedicated to meeting the evolving nature of the needs of this important client segment.

"The team ensures that the needs of these ultra-wealthy individuals and families are being addressed," explains Cheng. "In Hong Kong, we have private banking relationships with roughly 60% of the city's billionaires, according to the 2014 figures."

At the same time, as Asian UHNW and HNW clients continue to mature and become more sophisticated in their investment needs, there has been a gradual shift to advisory and discretionary mandates from pure execution and custody. In addition, demand for investment banking and family office services are increasing, particularly in the UHNW segment.

"Asia is about to experience an era of generational change, so the desire of clients to seek professional advice and value-added services to address their specific needs – on personal, family and corporate levels – has intensified."

"In response to the growing demand for family office offerings, our in-house expertise will assist clients to understand the options available in setting up a family office, formulating a relevant strategy and providing advice on how to structure their wealth and preserve it for future generations," says Cheng.

FAMILY FOCUSED

Despite the challenge for the industry in Asia in finding a sufficient number of competent and experienced professionals to service wealthy families and their multiple, cross-border needs, developing an offering for these clients is an obvious step for Cheng.

"Asia is about to experience an era of generational change, so the desire of clients to seek professional advice and value-added services to address their specific needs – on personal, family and corporate levels – has intensified."

As a whole, therefore, she says the industry must adapt to meet diverging client needs.

This involves broadening product and service offerings to include philanthropy, wealth planning services, real estate, private equity/venture capital and alternative investments.

At BNP Paribas Wealth Management, for example, the bank puts a lot of emphasis on leveraging its 150 years in China and India, and over 50 years in Hong Kong. "We are serving second and third, or in some cases fourth, generation clients," explains Cheng. "They have very high expectations of their wealth management firms in terms of the level of support in helping them achieve their business and family goals, whether that be family wealth planning or social impact investment." ■

Billions on the move

Ray Soudah, founder of MilleniumAssociates AG, says re-segmentation of markets is expected to dominate private banking and wealth management M&A, with what he predicts to be USD500 billion to USD1 trillion to be re-segmented.

Whether they admit it or not, the majority of private banks and wealth managers in almost every important world wealth centre are busily conducting fresh market and client focus reviews to determine which market segments / nationalities and domiciles of clients to focus and – from which they should de-focused.

This requirement has been anticipated for some time. In this round of reviews the most rigorous efforts are being made to determine, at a minimum, which markets to exit, and subsequently how to achieve such exits in an orderly least disruptive manner.

MANAGING REPUTATIONAL RISK

Service providers are scrambling to reduce the number of markets they cover. This has been induced by a combination of stricter cross-border regulations, limited or total lack of the requisite onshore market know how, limited product coverage and, last but not least, the desire to eliminate potential sources of reputational risk in case of overly complex client / market portfolios.

In some cases, market coverage is being reduced by 60% to 80%, depending on the size of the institution. In most instances this is an ongoing process and the early market exits are likely to be followed by the further narrowing of covered markets.

Banks and wealth managers in effect must offer "onshore" investment advice or its equivalent especially for the smaller to medium-sized clients who are less likely to have structured their tax affairs, which many of the UHNW clients tend to do.

It will be impossible to maintain quality advice to clients in the new environment when the relationship managers (RMs) are not, and cannot be, deemed experts in domestic market tax and product issues. Rather than risking

RAY SOUDAH
MilleniumAssociates AG

regulatory and miss-selling exposure, banks prefer to exit the markets they cannot or wish not to service fully in a compliant way.

Even regulators are encouraging banks to limit the market coverage of the RMs to as few as two or three markets per officer, given that the knowledge required is significant.

In numerical terms, based on feedback from a wide selection of institutions, between 5% and 10% of their AUM is being re-segmented in this round. If we assume the international offshore private wealth market is around USD10 trillion, that means that between USD500 billion and USD1 trillion in AUM will be shifted from some institutions to others, more than half thereof booked in European centres.

This represents in aggregate around 100 markets being exited, even though each institutions' number of market exits may be limited to between 10 and 50 markets, given the differences in preferred market strategies of each firm.

Luckily, not each firm has the same market exit strategy and this phenomenon allows the underlying clients to be placed safely in institutions with a focus on their market origins.

Intense re-segmentation needs a different approach. The impact of the reviews taking place and that will take place during the period ahead will have several consequences.

First, traditional M&A processes with "take what we have for sale or not at all" beliefs of sellers are unrealistic. Each private bank willing to consolidate is becoming increasingly more specific as to what it would acquire in terms of market coverage or minimum client size, often not wanting all of the markets that a seller has to offer, or limiting its focus to only the higher end-clients in certain markets.

This will lead to failed or reduced scope of sales processes and reduced number of "holistic" buyers as most prefer market-by-market acquisition strategies and will be even more determined in the period ahead to only bid for what they would actually like as a whole.

M&A valuations in the shorter term are therefore likely to come under pressure, and may even fall slightly before recovering once the re-segmentation process is concluded (estimated to potentially take until 2018).

This client-friendly approach which still requires traditional KYC and AML reviews at the client level has been proven to allow exiting banks to find receiving banks and wealth managers for their re-segmented markets / clients in an orderly and profitable manner.

Volumes are expected to rise dramatically as the implementation of re-segmentation initiatives is still at an early stage with the majority of institutions and as they are appreciate the ease of operation in a confidential manner

"Between USD500 billion and USD1 trillion in AUM will be shifted from some institutions to others."

Secondly, the number of RM resignations / dismissals before and after any residual M&A process will increase as they independently seek an institution willing to support the market coverage of their specific know-how and historical client base.

CLIENT FRIENDLY SOLUTION

Thirdly, and as predicted earlier, the Swiss and multi-market centre platform called "CATCH" (operated independently by MilleniumAssociates AG and covering all European wealth centres as well as relevant onshore markets) is continuously expanding its service to the market by being the only client-friendly mechanism whereby de-emphasised clients from markets to be exited can be offered a choice of willing receiving banks and wealth managers rather than rejecting them without further assistance.

suiting the needs of the exiting party, the receiving party and also the end clients alike.

Independent asset managers are now also starting to join the proprietary CATCH platform.

That allows them not only to conduct their re-segmentation initiatives but at the same time also to find like-minded growth partners via an expanded participation model tailored specifically to their needs.

The era of re-segmentation will dominate private banks and wealth managers in the period and years ahead with recurring market segment reviews and client exits diminishing the role of M&A and increasing the practice of client friendly bilateral and multilateral re-segmentation. ■

PRIVATE BANKING
私人銀行

BEA 東亞銀行
Enriching Your World

PRIVATE BANKER
INTERNATIONAL
GREATER CHINA AWARDS 2014
BEST PRIVATE BANK HONG KONG

The Value of BEA Private Banking

Enjoy comprehensive personal and corporate financial services, with tailor-made solutions to suit your every need. Our extensive support network in Greater China ensures that expert advice is always on hand.

Hotline: 3608 0360 www.hkbea.com

Issued by The Bank of East Asia, Limited 東亞銀行有限公司

What DBS is doing to drive change

At the helm of arguably the most progressive wealth management firm in Asia today, Tan Su Shan of DBS Bank reveals the development of a culture and mind-set that has inspired designs, technologies and processes to bring it into the new world of banking, and profitably.

When Tan Su Shan stood up in early October 2013 to deliver her first-ever TED Talk, on the subject of the evolving nature of banking, she was confident enough to admit her technology naivety.

This might seem at odds with what has followed within DBS Bank since then. But as managing director and group head, consumer banking and wealth management, Tan was already very aware of the need to pay increasingly close attention to the Googles, Facebooks, Apples, Alibabas and other leading tech firms of the world – or risk being left behind.

The timing was spot on. A couple of weeks after her speech, Alibaba's online-payment affiliate Alipay launched its online investment fund Yu'e Bao.

Not even six months later, by the time DBS Bank announced its intention to buy the Asian private banking business of Societe Generale in Asia, Tan recalls that Yu'e Bao had already raised more money than DBS across its three wealth segments – SGD133 billion (roughly USD99.4 billion).

"It was clear then that the world had changed," says Tan. "The power of timely, relevant and easy-to-use digital marketing was already proving to be tremendous, so we realised we needed to move with the times."

DBS has clearly done just that.

Beyond what Tan is proud of in terms to people and product innovation, the real game-changer has come from the bank's platform – via its huge digital agenda, which puts the customer at the centre of the banking experience.

Key initiatives for the institution have included its digital bank, the roll-out of DBS Watson, Wealth Adviser, and also a Joint Lab with A*STAR's Institute for Infocomm Research.

TAN SU SHAN
DBS Bank

"Unless we are at the forefront of the drive towards digital, we will disappear from the everyday lives of customers, which is where we want to be," she says.

RE-INVESTING PROFITS

Being able to pursue such an array of expensive and time-consuming innovations on the technology side of the business has only been made possible by the bank's financial success.

At a time when many of its competitors in its space are struggling to be profitable, DBS' income from consumer banking / wealth management in 2014 rose 14% to SGD2.89 billion, with the wealth management segment growing 19% to SGD1.1 billion.

Being headquartered and listed in the wealth hub of Singapore, where DBS is a market leader with over 4 million customers, has been vital to this growth and success.

As has its growing presence in the three key Asian axes of growth – Greater China, South-east Asia and South Asia.

"This shows the benefits of being able to build scale," says Tan. "We can definitely grow market share further."

And DBS has been quick to reinvest its profits into innovative projects.

In turn, says Tan, the bank's value proposition has evolved to something akin to: we will keep your money safe while being smart and keeping up with the times.

"The power of timely, relevant and easy-to-use digital marketing was already proving to be tremendous, so we realised we needed to move with the times."

Ultimately, this is about distilling the offering down to what customers really want, so that they have more choices, explains Tan.

"If they want to do their banking from their couch, we can offer them that; if they want to use video or FaceTime, we will give them that; if they want to bank via their mobile phone, we will provide this; if they want to get their questions answered anywhere, anytime, we can offer that."

DIGITAL BY DESIGN

As a 138-year old institution with 280 branches across 17 markets in Asia, DBS should have done enough to convince existing and potential customers about its soundness in risk management.

That is a given, but Tan is adamant that future success depends on being as smart and agile as the Googles, Facebooks, Apples and Alibabas. Further, as these firms grow a larger and deeper financial services offering, they too will soon be perceived as safe.

"That is the reason we have created our digital bank," she explains. This includes using what it has learned and developed in terms of apps and wealth technology, in partnership with IBM Watson.

DBS even has its own design lab, located on the 40th floor of its corporate headquarters at Marina Bay Financial Centre in Singapore.

It is from here that the bank makes sure it gets customer feedback before websites, apps or any other technology-related initiatives are rolled out.

This is a key part of getting the client experience right.

The rationale is to make sure that anything the bank offers is done from the client's perspective, based on testing user-friendliness and relevance with these individuals directly.

"We don't just want to look at these things through our own eyes," says Tan.

There have been cases, for example, where in the testing stage clients don't notice a certain aspect of the functionality, based on which sections of a web page they are more inclined to look at.

Or, despite DBS wanting to stick to its corporate branding by using red, black and white colouring, testing with customers has shown that they are more responsive to greens and yellows.

As a result, DBS has incorporated some innovative eye-tracking technology to enable it to better understand what customers are more likely to focus on, and then re-arranges the functionality and colouring accordingly.

"By identifying what customers like and avoiding anything which they don't like, or which frustrates them, we can come up with the final design," adds Tan.

This all has important implications for the digital bank in development. "We want it to be intuitive and easy-to-use," she explains.

BREEDING BUSINESS SUCCESS

In the nearly five years since Tan took the helm of DBS' wealth management business, the strides which she and the institution has made are impressive.

Being part of a progressive team has been a key factor. Tan is quick to acknowledge the role that everyone has had to play, from senior management down to the most junior employee.

"We have simply been able to unlock the opportunities that already existed within the institution," she explains. "We can genuinely be the cradle-to-grave bank for our customers."

Among the components of delivering this, Tan points to the connectivity that DBS creates for its clients. This is especially from a regional perspective in Asia, given that entrepreneurs based in local markets are likely to be doing business in each other's back yard.

For example, a wealthy Chinese businessman often needs help in Hong Kong, Taiwan and Singapore; and an Indonesian will want access in India, China and Singapore.

"The banks which can play well in this space, which means deep and wide, are the ones most likely to get their business," says Tan. "By understanding how they have made their money and about their industries, we have been able to better help them meet their wealth management needs."

Buying the Asian private banking assets of Societe Generale has also been an important component of DBS' recent growth and success.

Tan articulates this in relation to some specific achievements. First, for those assets the bank kept after the acquisition, post-integration attrition has been negligible. Secondly, DBS was able to retain the majority of the talent it wanted – especially in terms of senior bankers and investment counsellors. And thirdly, there was a complement in terms of the geographic expertise that came on board. "Societe Generale was strong in areas we weren't such as in Dubai, the Philippines, and Japan, and also their international team," explains Tan, "so that brought us scale overnight."

Further, the collaboration on the product and research side of the business has added value to DBS, she adds.

Innovation has also been key to DBS' success in servicing Asia's entrepreneurs. That goes beyond just the technology, and into the wealth solutions delivered to clients.

One example of this includes the bank offering asset securitisation solutions for customers in real estate who have pre-sold a development.

"This enables such developers to realise some liquidity from what would otherwise be an illiquid asset," explains Tan. "They can then diversify their risk from a single asset class to a global and more balanced portfolio."

Such customised solutions create stickiness among the customer base, in terms of loyalty and the assets themselves. It also means the bank is not then trying to compete in terms of returns with the client's own – and often more lucrative – business.

Tan explains that the driver behind these types of solutions – whether for a mining tycoon in Indonesia, a shipping magnate in Hong Kong, or a hotel owner in China – is bankers wanting to come up with something new based on what the customer actually needs.

There is also a strong sense of the need to survive within today's intensely-competitive industry which senior management uses to instill the right customer-focused mind-set among everyone within the organisation. "We have to be creative and innovative to remain relevant," says Tan.

MAKING BANKING JOYFUL

This desire for simplicity and customer centricity extends throughout DBS. Tan is intent on achieving it at both ends of the spectrum of clients where she says the bank has identified, and is pursuing, specific goals.

At the highest end of the wealth pyramid, the bank is always looking to onboard more UHNW individuals and family offices. And increasingly, she feels it is able to achieve this with its enhanced platform and processes, using the kinds of customised solutions it has been implementing to help these clients unlock value and liquidity.

At the other end of the spectrum, DBS wants to use its digital bank to excel in the mass affluent space, which means ensuring it can execute clear and easy-to-understand goals.

To put this into practice, the bank is empowering all staff to make decisions that improve the client experience – including scenarios ranging from opening an account to retrieving a bank card from an ATM to making a call to ask questions about a product.

In paraphrasing her boss, Piyush Gupta, Tan says this all comes down to being able to "make banking joyful". ■

The evolution of China's private wealth market

A key finding of the 2015 China Private Wealth Report is that China is now home to 1 million HNW individuals – twice as many as in 2010. Jennifer Zeng, Alfred Shang and Sameer Chishty of Bain & Company, which jointly published the report with China Merchants Bank, share details of the other main insights.

The latest edition of this report surveyed roughly 2,800 Chinese HNW individuals (those with individual investable assets in excess of RMB10 million, or approximately USD1.6 million).

The 2015 version, the fourth since 2009, found the country's total private wealth market grew by 16% annually to RMB112 trillion between 2012 and 2014. This market should reach RMB129 trillion in 2015.

The HNW population is expanding across China. While only seven provinces claim more than 50,000 HNW individuals, the numbers are rising rapidly in provinces like Xinjiang, Hubei and Shaanxi – the number of HNW individuals rose by 25% to 35% annually from 2012, creating a more balanced geographic distribution of wealth.

DIVERSIFYING SOURCES

In addition to determining the size and growth trajectory for China's HNW population and private wealth market, the survey produced insights into how these individuals gained wealth, where they live, how their priorities are changing and how they invest today. For example, the growth in China of innovative industries such as IT, biotechnology and alternative energy has led to the rapid arrival of the newly rich, a segment of HNW individuals who are younger and also adopt a more aggressive and open investment style than that of their more established counterparts among the wealthy.

Fully 80% of the newly rich are under 50 years of age and add diversity to the HNW population, which now includes both entrepreneurs who opened factories decades ago and younger professionals in the technology sector and other emerging industries.

WEALTH PRIORITIES

Unlike more established wealthy individuals, the newly rich prioritise wealth

China market – highlights

China's private wealth market reached RMB112 trillion in 2014. The market grew at an annual rate of 16% from 2012. The HNW population exceeded 1 million in 2014. Investable assets owned by Chinese HNW individuals reached RMB 32 trillion by the end of 2014.

The seven provinces with more than 50,000 HNW individuals are – Guangdong, Shanghai, Beijing, Jiangsu, Zhejiang, Shandong and Sichuan.

Guangdong is the first province to have more than 100,000 HNW individuals, and Sichuan is the first inland province to have more than 50,000. We expect continued growth potential for wealth in Central and Western China given the "One Belt, One Road" initiative and the Yangtze River economic belt policies.

Investment mindset and behaviours

HNW individuals are becoming more optimistic about investing in innovative industries.

As China's macro-economic growth enters a "new normal," HNW individuals are paying increasing attention to government policies regarding domestic reforms, market openings and innovation.

HNW individuals want to pass on such spiritual wealth as receiving a good education and working hard.

In addition to spreading risk and diversifying assets, HNW individuals are starting to actively seek returns on overseas investments, with Hong Kong and the US topping the list.

HNW individuals still prefer personalised and private relationship management, and adviser services in offline channels; however, they are increasingly using online channels (especially mobile) for investment information and banking services.

The development of innovative industries such as IT, biotechnology and alternative energy has led to the emergence of the newly-rich HNW segment, which has a more aggressive and open investment style.

creation over wealth inheritance. This is changing how wealthy Chinese invest outside of the capital markets.

According to the research, China's HNW individuals are adjusting their investment strategies based on domestic reforms. More than one-third surveyed said they expect to increase their investment in innovative industries such as IT, biotechnology and alternative energy. In addition, less than 10% expect to invest more in traditional manufacturing industries.

Wealth preservation remains the top wealth management objective, followed by wealth inheritance planning, which surged from the fifth priority in 2013 to the second in the 2015 survey. Wealth preservation shares its ranking among UHNW individuals (with investable assets over RMB100 million).

The interest among HNW individuals in overseas investment continues to increase. Nearly 40% of HNW individuals and almost 60% of UHNW individuals indicated they have overseas investments – a sizable jump from 20% and more than 30%, respectively, in 2011. About half of the HNW individuals said they plan to boost their overseas investments in the next year or two, attracted by the more diverse cross-border investment opportunities.

HNW individuals are entrusting a larger share of wallet – or a percentage of their investable assets – to private banks or other high-end wealth management institutions. In 2015, HNW individuals put 65% of their investable assets in the hands of private banks or other high-end wealth management institutions, up from 25%, on average, in 2009.

As China's private wealth market grows and changes, all wealth management institutions are discovering the importance of adapting to their customers' shifting needs and preferences. This includes continuously improving customer relationships and actively exploring innovative service models. ■

Private banking: competitive landscape

Chinese private banks continue to be the most preferred wealth management option. They are actively investing to build cross-border capabilities.

Banks and other wealth management institutions in China earn customers based on their brand, expertise and service. The scope of product offerings and expected returns are secondary criteria.

Other wealth management providers, including fund management companies and third-party wealth management and trust companies, mainly compete on product offerings and distribution.

Brand, expertise and product offerings are the most important criteria for Chinese HNW individuals when choosing their overseas wealth management institution; UHNW individuals value expertise the most.

Convenience, Chinese language service capability and cultural connections are important, especially for HNW individuals who use overseas investments to achieve risk diversification and stable returns.

Contacts at Bain's Financial Services practice in Asia-Pacific:

Jennifer Zeng in Beijing - (jennifer.zeng@bain.com)
Alfred Shang in Beijing - (alfred.shang@bain.com)
Sameer Chishty in Hong Kong - (sameer.chishty@bain.com)

Charting a sustainable course through the USD100 billion barrier

A smooth integration is Michel Longhini's priority for a successful acquisition by Union Bancaire Privee (UBP) of the international business of Coutts. That requires clear messaging, to reassure clients and staff alike about the new value proposition.

With UBP's Coutts deal, the latest example in a wave of global consolidation and re-segmentation in international private banking, Michel Longhini is a busy man. But he is quietly confident at the same time.

After all, he is overseeing his fourth acquisition in four years – a flurry of activity that has moved what was a CHF65 billion (USD69 billion) private banking division in terms of AUM at the end of 2010, towards an expected CHF130 billion-plus business after the completion of Coutts.

Longhini, who joined UBP as chief executive officer of private banking just under five years ago, has spearheaded a culture of smooth integrations that breed successful outcomes – for clients as well as internal stakeholders.

That includes maintaining a lean structure, with an overall cost-income ratio for UBP of 67% as a tangible example.

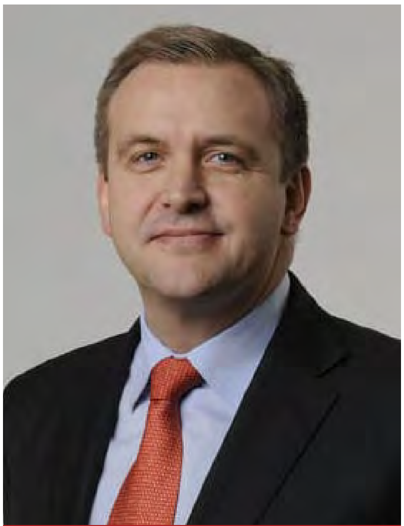
"What has been key to all our acquisitions is bringing in additional knowledge," says Longhini. "In buying the assets and teams of Coutts, it will bring us an expertise in specific areas, especially Asian private banking."

Yet he is also realistic and grounded enough to know that getting to this point isn't plain sailing. So, just a few weeks into the latest leg of UBP's journey – buying over CHF30 billion in AUM from all of Coutts operations outside the UK – it isn't a surprise that his feet have barely touched the ground.

He recognises the importance of the person running the show to eye-ball existing and future colleagues alike, and as quickly as possible.

And he has made it his priority to jet around the world in order to do so.

"Any changes for RMs and clients need to be as minimal as possible," he says.



MICHEL LONGHINI
Union Bancaire Privée

When Hubbis initially sat down with him in Singapore, to take stock of a whirlwind few weeks since the public announcement of the Coutts deal, he had already met with over 90% of

Coutts relationship managers (RMs) worldwide, all senior management and the key individuals in products and services. Plus he had held townhall meetings with all the other staff.

But it isn't just internal stakeholders to which Longhini has been focused on articulating UBP's vision and value proposition. Coutts clients were first on his list. He knows this is the only way to make such strides in asset and business growth sustainable.

REACHING OUT TO REASSURE

Perhaps most notable – and instrumental – in UBP creating its track record has been the consistent way it has approached each integration.

First and foremost, confirms Longhini, is giving comfort and reassurance to clients by ensuring a smooth transfer in terms of their relationships and accounts. "This is a pre-condition of any acquisition and enables to minimise attrition," he states.

"The clients look for a stability in the relationship," says Longhini, "as well as additional capacity in terms of products and services and access to markets."

player in private banking, and having our clients benefit from our Swiss heritage of excellence in the field," explains Longhini.

Being family-owned is also a key differentiator as it enables the bank to adopt a long-term vision.

"Another important element in UBP's value proposition," adds Longhini, "is the close interaction between the different business lines – and notably between private banking and long-only and alternative investments".

Further, he explains that the bank is well known for its lean organisational structure and operational efficiency, which has enabled it to develop a tailor-made approach to private banking services, as well as products.

It is, however, important not to try to fit a square peg in a round hole with these types of deals. "With the in-depth reviews I have been doing, the aim is to understand within Coutts key elements of the existing structure such as what is important to clients and staff, what is working well, and how teams are managed," explains Longhini. "It is important that we do not make excessive changes."

That means needing to be flexible enough with the new structure to guarantee to existing staff and clients that the reason why they bank with or work for Coutts will not change.

> **"Any changes for RMs and clients need to be as minimal as possible."**

It is therefore important to clearly communicate the value proposition of the new owner.

"For UBP, this means explaining that we are committed to remaining a pure

Key objectives post-Coutts

- *Be one of the top five global pure-play private banks*
- *Cater to the international needs of wealthy families*
- *Integrate fundamental components of market coverage, product knowledge and wealth structuring*
- *Expand booking capacities in Asia, as well as the bank's products & services offering*
- *Be a more prominent private banking and asset management player in Asia, which should now account for 20% of overall group assets*

From a more practical, operational perspective, the functionality around how RMs communicate with clients also needs to remain consistent. These steps are vital in the Coutts integration, and both UBP and Coutts International Management made sure that all Coutts clients were informed the day the deal was signed.

When it comes to staff, quick and clear communication is equally critical to ensure a smooth transition.

Longhini has learned from UBP's growth strategy in recent years that the RMs, as the individuals in charge of client relationships, should be informed immediately of all plans, and motivated to transfer their clients accordingly.

From Geneva and Zurich initially, to Monaco, Dubai, Singapore and Hong Kong, all Coutts employees were informed within five days of the announcement at the end of March.

The next step was to have more detailed discussions with the most senior people in the firm. "It is very important to make sure people understand the UBP structure, the process of the integration, the timing and deadlines," he explains. "It is important to be quick and responsive to all questions in addressing any concerns at the team level."

WALKING THE TALK

Ultimately, the measure of success will be whether Longhini can make size matter – and last.

That means achieving the scalability to fulfill the vision, while also retaining a certain adaptability to bring all sides into alignment – a key ingredient in his other integrations.

UBP's series of selective acquisitions (see box) have been a deliberate part of a growth strategy to rebuild the business in the wake of the 2008 financial crisis. In total, the activity to date has led to UBP dotting the world map, with the group's various businesses now in some 25 locations.

"The ABN AMRO acquisition brought size in Europe and Latin America; the Lloyds deal also made sense from a geographic perspective, in the Middle East and parts of Europe; and Santander created scale in Southern Europe," says Longhini.

And Coutts looks like being UBP's biggest challenge so far. It will require a transfer of about 1,000 staff, mostly RMs and product and services teams, half in Europe and the Middle East and half in Asia. This will almost double the workforce from its current level of 1,300, and increase assets for the overall group to CHF130 billion.

It is also important that acquisitions reinforce a company's strategic development. "For example, with the ABN AMRO and Lloyds acquisitions, UBP significantly strengthened its wealth planning teams and breadth of expertise in the field.

This included product tax engineering – a field in which we were lacking strong expertise. With the current evolutions, this was a must."

Longhini explains further that the bank also brought new talent and expertise to its existing capabilities.

For instance, it launched, along with two senior wealth planners who came from ABN AMRO, a web platform dedicated to helping UHNW individuals find the best-suited family office based on a series of criteria and in-person meetings (FOSS, Family Office Services Switzerland). "Coutts International is well known for its advisory services, and we are looking forward to adding strength to our own existing capabilities", he adds.

RAISING THE STAKES

There is certainly a clear objective for the Coutts deal, in terms of the vision for what a much-enlarged UBP will look and feel like post-acquisition.

In short, it represents a major step forward in UBP's growth strategy, enabling it to both broaden its wealth management activities and to further its global reach.

"We can now really play in the top league of pure play private banks, as a top five global firm," says Longhini.

UBP's growth path to date

- *1969 – Founded as a family-owned company by Edgar de Picciotto to specialise in private banking and asset management*
- *1990 – Merger of CBI and TDB-American Express Bank, resulting in the creation of UBP*
- *2002 – Acquisition of the Discount Bank and Trust Company*
- *2011 – Acquisition of ABN AMRO Bank (Switzerland)*
- *2012 – Two acquisitions – a book of European private banking clients of Banco Santander, and Nexar Capital Group, a hedge fund business*
- *2013 – Acquisition of Lloyds International private banking business*
- *2014 – By year-end, the group employed 1,300 people and had CHF98.7 billion in AUM*
- *2015 – Announced in March an agreement to acquire RBS' international private banking and wealth management business, branded as Coutts – including operations in Switzerland, Monaco, the Middle East, Singapore and Hong Kong, and AUM of CHF 30 billion+*

"Our appetite is to create a worldwide presence with the scale to service the international private wealth needs of wealthy families, who are tax compliant."

He is adamant that size is a critical success factor in today's market – as long as what gets added is complementary to the existing business. "The deal doesn't change our strategy globally, but adds fundamental components in terms of market coverage, product knowledge and wealth structuring."

Of particular significance following the Coutts deal is the impact it will have for UBP's relatively young Asia business. For instance, it brings to it long-standing relationships with HNW clients in Hong Kong and Singapore.

Onboarding the bank's more Asia-focused product offering is another clear attraction for UBP, including a more structured advisory and portfolio management ethos and know-how to complement the Swiss firm's heritage in investment management.

Further, says Longhini, there is added value in the Asian-focused wealth structuring experience of Coutts, to add to what UBP has in Switzerland.

With around 40% of assets being for clients in Asia, it effectively puts rocket fuel into an ambition the Swiss firm has made no secret about previously.

After starting from scratch in Singapore three years ago, UBP made a big step forward for its private banking business in mid-2013 by securing a licence to become a merchant bank. That has enabled it, in Singapore, to take assets on deposit and offer a wider range of wealth management services from its local booking centre.

At that point, it had about 20 employees in Singapore, servicing around 200 active clients in Asia, managing roughly USD1 billion of assets in the region.

More recently, in January 2015, UBP began a joint venture with a leading asset management team in China to create a new company in Shanghai. The aim is to give domestic and international investors best-in-class Chinese equity and fixed income solutions.

Now, the firm has propelled its Asian private banking business to a new level, both in terms of scale as well as breadth of products and services on the ground.

And for the group as a whole, Asia – including Japan – now accounts for over 20% of total assets.

"Asia will be a major part of UBP's future, and everyone in the firm is clear that this is one of the most important and positive implications of the Coutts acquisition," says Longhini.

"Asia will be a major part of UBP's future, and everyone in the firm is clear that this is one of the most important and positive implications of the Coutts acquisition."

Yet it isn't all about Asia. After running BNP Paribas Wealth Management's Asia Pacific business for five years from 2003 out of Singapore, Longhini isn't blinkered in his perspective of the potential the region. "I'm not sure we would have considered Coutts if it were an Asia-only business," he adds. "It is more about Asia as part of a global organisation."

For example, he sees other strategic steps forward with the geographic foothold that the Coutts deal brings.

UBP will now strengthen its presence in Switzerland and Monaco, and boost its presence in growth markets such as Central and Eastern Europe, and the Middle East and Asia.

In those parts of Europe where there is more of an overlap with UBP's existing business, the focus now is how to create the most effective synergies and improve productivity.

KEEPING THE DREAM ALIVE

In sharing his plans, Longhini is intent on implementing the entrepreneurial vision, innovation and independence which drove Edgar de Picciotto in the first place to create what is now UBP.

"I am here to manage the private banking business for the family and to try to make it a success," he says, "but it is vital as a starting point to have a family with ambition and vision."

For Longhini, not only is it a personal challenge which he says he enjoys; it is also part of a bigger team effort to achieve this growth.

That is based, he explains, on a certain philosophy which is all about respecting the organisations and individuals it has integrated with. ■

Being more rational about booking centres

As private banks seek ways to reduce cost-income ratios, they are weighing up the physical presence they need. John Williamson of EFG International believes more banks could reduce the number of booking centres they employ.

Private banks increasingly need to balance their desire to be close to their customers with a need to trim costs. One result of this is likely to be a reduction in the booking centres they use.

John Williamson, the vice chairman of EFG International, says he often considers the concept of keeping a lean yet client-focused physical presence. The bank has already reduced its global booking centres.

"We had over 20 booking centres and have reduced this to 13, but we have probably got too many still," he says. "However, we want to keep our expertise close to our clients."

WHERE TO TRIM

Many private banks are grappling with the issue of keeping good client relations while reducing costs. EFG International reported its cost-income ratio for 2014 to be 79.8%, a reduction from 81.5% the year before, but would no doubt like to reduce this further. In Asia at least, it could prove challenging for the bank to reduce its booking centres below the two it already has in Hong Kong and Singapore.

"Hong Kong and Singapore have different cultures as well as different political and regulatory environments," says Williamson. "One is North Asia-oriented and the other is more South Asia- and internationally-oriented."

Williamson feels keeping its bankers close to clients doesn't always require a booking centre. "We don't want to lose the immediacy of contact with our clients. But that doesn't mean you necessarily have to have multiple booking centres. You could instead employ multiple branches and rep offices."

JOHN WILLIAMSON
EFG International

EFG could raise its presence in one country: the US. Williamson notes the bank is considering applying for a banking licence for its Miami office.

"I think it is the obvious centre to cover Latin America, and one area in which we may add value by gaining a licence," he says. ■

How private banks can create a strong ethical culture

The focus of many banks on product sales has cause sizeable conflicts of interest. The best way to raise ethical standards is for top bank executives to embrace suitable values and embed them in the actions of their employees, says Andrew Chow of WongPartnership.

Over the past several years, rarely a week goes by without a new media headline emerging about wrongdoing in the financial industry.

From product mis-selling to foreign exchange and interbank rate manipulation, these stories have eroded retail investors' faith in the banks that are meant to serve their interests.

Private banking has been far from immune. One of the latest was a whistle-blower's revelation that HSBC's Swiss private banking unit helped its clients avoid taxes in the 2000s, sometimes by giving them untraceable bricks of bank notes in foreign currencies.

Andrew Chow, a partner in the regulatory practice for financial institutions at WongPartnership, believes this sort of poor behaviour can largely be traced to one factor: the absence of a strong moral culture. In other words, banks are failing to create, adopt and establish high ethical standards for their employees.

What does ethics mean, from a financial industry standpoint?

"Ethics is the concept of doing the right thing at the right time in the right context," Chow says.

"In the banking context it would mean your focus is predominantly on the needs of customers, ensuring they are adequately protected and you are selling them appropriate product."

Chow's view reads like a basic definition of responsible banking behaviour. Yet banks are often perceived to be acting in a manner that prioritises their fee-earning over customer satisfaction, damaging client trust.

The 2015 Edelman Trust Barometer, which was based upon the responses of 33,000 international respondents

ANDREW CHOW
WongPartnership

from 27 countries, placed trust in financial services at just 53%, the second lowest of all industries surveyed (only media ranked lower, at 51%).

The simplest way for banks to dispel negative perceptions is to put into place a business structure that clearly separates advice from product selling.

"The best model is one in which [private bank] advisers only advise and don't sell products that they get any fees for, especially if they are not transparent to the customer," says Chow. "In that context you are paid purely for your advice, which removes the inherent conflict of interest. I think this would be a very important sea change, but I am not sure whether there is an inclination or desire to do this."

Implementing such an approach is not necessarily easy – Chow notes Citigroup separated relationship management and product sales in the corporate and investment bank in the early 2000s, and the incumbents struggled with the change. However, private bank executives do not have to abandon sales targets completely. Instead, Chow believes they should considered as part of a much broader spectrum of targets.

"What's important for organisations to develop is appropriate performance metrics," he says. "These shouldn't just be sales targets, but based upon customer satisfaction, product knowledge and compliant behaviour. There should be a balanced scorecard approach."

Chow possesses a deep understanding of the complexities that abound within the banking industry.

He was one of the first dedicated compliance professionals in Singapore, advising financial institutions that he worked for on a wide variety of legal and regulatory issues.

Highlights in his career before joining WongPartnership include establishing Standard Chartered's compliance department, managing the issues surrounding the common and almost habitual banking crises, developing the first application for unified securities and futures membership of the Singapore Exchange while at Citigroup, and participating in Nomura's integration of Lehman Brothers' Asian businesses.

"The best model is one in which private bank advisers only advise and don't sell products that they get any fees for, especially if they are not transparent. I think this would be a very important sea change, but I am not sure whether there is an inclination or desire to do this."

DOING THE RIGHT THING

Chow believes the scrutiny under which private banking has found itself in recent years, particularly following the US-led regulatory drive to uncover offshore taxable income and the advent of online financial technology, will cause fundamental changes to how the industry is structured.

"I think [the term private banking] model will change fundamentally, because of different initiatives the regulators have. First is the concern with retrocessions and the lack of transparency. Secondly, there is a shift of delivery channels. Where more sophisticated and younger private banking clients place greater reliance on digital platforms to buy banking products, the private banker would not be needed to execute these instructions. So his or her strength could lie within the advisory space."

Why haven't financial regulators already been more proactive in dividing advisory and product selling activities in Asia? Chow smiles at the question.

"It would be difficult for the regulators to inform all the banks in their jurisdiction that they cannot accept fees and commissions when you sell a third party product, as this is the fundamental compensation model that bankers use," he says.

The compliance pressures of the financial world are also constantly evolving, with some issues coming to the fore and others diminishing in importance. Banks need to be aware of this.

"Organisations, whether big or small, need to be able to get clear and appropriate strategic advice as to what is weighing most on the regulator's minds and where they most want to see progress being made," says Chow.

"For example, while the regulators want to ensure all banks are Basel 2.5- and 3-compliant, the importance of this issue appears to have less precedence of late than, for example, the restructuring of the OTC derivatives market, and compliance with tax reporting requirements."

Yet there is a clear need for regulators to work with banks and financial institutions to ensure the industry holds itself to a higher standard.

The evidence of systematic abuse in financial product trading in recent years in particular points to an absence of ethical behaviour across broad patches of the financial industry.

"If one could have seen some of the chats that happened during [the scandals around manipulation of] Libor, or Sibor, SOR and NDFs (non-deliverable forwards), it would have been apparent that many traders in the industry did not have appropriate ethical standards," he explains.

"The prevalent behaviour at the time amongst the traders seemingly legitimised the manipulation, and no trader stood up to stop it."

LEADING BY EXAMPLE

Chow believes the key rule for bankers to raise their ethical standards is to ensure they are required to advise the client as to what products meet their needs, and to ensure they fully understand these products.

"Sometimes the client will be quite impressed with [a financial product's] yield and wouldn't think of the fact that it was illiquid, because this wouldn't be obvious. We saw this with the sale of Lehman minibonds to elderly people before the global financial crisis. Sales persons or private bankers should always ensure they fully understand the products they are selling, and that they clearly pass on this knowledge to their customers."

Bank executives can assist with this by clearly conveying what they consider to be good ethical behaviour. This tailors well with the Monetary Authority of Singapore's guidelines over continuing professional development (CPD).

It establishes that independent financial advisers (IFAs) and life insurance sellers (although not yet private bankers) operating in Singapore must conduct a minimum of four hours of ethical training each year, as part of their overall 30-hour annual CPD requirement.

"You need to have a proper product committee, you need to have competent people to analyse the structure of products to be sold, you need to have people who can assess the risk of that product and map it to the risk profile of the customer."

Chow believes financial organisations should tailor such training to their specific product capabilities and clients. "Companies need to look at the space they are in and the clients that they are serving, and develop an ethical process of understanding the needs of that particular segment.

"For example, ethics training for an IFA would be very different from ethics training for a corporate and investment bank heavily involved in proprietary trading," he says.

CONSIDERING COMPLIANCE

In addition to training, private banks can ensure they have processes in place to monitor responsible product selling. "You need to have a proper product committee in place, you need to have competent people to analyse the structure [of the products to be sold], you need to have people who can assess the risk of that product and accurately map it to the risk profile of the customer. And you need clear instructions on what is appropriate product selling behaviour, and what is not."

Yet all the internal processes in the world will only work if a strong ethical standards have already been articulated and demonstrated internally from the top, to employees who are receptive to such demands.

"If [a bank's] senior management clearly state that they expect everybody to live up to these values and demonstrate these values in their own behaviour, then it would help cement the idea in the mind of their sales people that they need to understand products and consider the client's needs before selling," says Chow.

"That requires having the correct values at all levels of the organisation," he adds.

"Otherwise you'll never get the right ethical attitude in place." ■

PEOPLE NOT SIZE MAKE A BANK "BOUTIQUE"

Knowledge and experience drive our choices. The Asian financial crisis of 1997-98, the Nasdaq crash, and the global financial crisis have changed the way we look at the world. In particular, the GFC dented the banking sector's credibility, especially that of the larger banks and prompted many of Asia's high net worth individuals (HNWIs) to re-evaluate the kind of banking relationships they want.

With the "too big to fail" notion disavowed, many investors have developed a stronger appreciation of risk and an understanding of what smaller private banks – at least those with proven capital strength – can offer them compared to the larger "banks-within-banks" with capital spread across a variety of risks.

"Boutique banking" commonly describes smaller banks but for me this only reflects size – which is subjective – rather than the focus on the kind of relationships inherent to traditional private banking. Increasingly, clients are recognising the importance of tailored advice over a transactional broker relationship. The result is a much more competitive environment among all private banks regardless of size. And smaller banks punching above their weight.

The natural tendency to value deep personal relationships within Asian cultures has been an emotional influence on this transition in thinking; but equally importantly, the region is now populated by experienced Asian relationship managers who have grown with the sector. Interestingly, I've found that the kind of relationship managers who thrive in a boutique private bank are generally very different to their counterparts comfortable within the environment of a larger bank.

Smaller banks need thoughtful and dynamic personalities – hunters almost – because success is built on establishing strong networks. If you have market knowledge but limited networking skills you can be successful in a larger bank where there is an organic inflow of business and much of it managed in a methodical, though highly competent manner. The individual delivers the competence but the brand can very often be relied upon to communicate the credibility and integrity. In a smaller bank, it is each relationship which establishes that credibility, integrity and confidence; in both the private banker and the bank itself.

Trust is critical to a sustainable private banking relationship. For smaller banks, it's the lifeblood because they don't have the brand visibility that will get many new clients simply knocking on the door. They primarily rely on referrals and without the depth of relationship and absolute trust of their existing clients they won't get very many new ones.

All private banks – large or small, part of a broader financial institution or independent – profess to offer tailored advisory services. What truly differentiates them is the AUM point, more crudely called "share of wallet", at which they are willing and able to do so. Bigger financial institutions face greater pressure on all sectors of their business – which can mean more focus on tactics that will impact quarterly earnings than on a strategic, long-term approach. The knock-on effect ultimately can reach their private banking clients, especially if there is an opportunity to cross-sell a product from elsewhere within the organisation.

Large banking institutions certainly do offer truly bespoke relationships but only at a certain ultra-high net worth (UHNW) level is this kind of relationship viable. Smaller banks, while still having UHNWs on their client roster can afford to aim lower, initially at least. The emphasis is more on people than product or process and the smaller bank is prepared to wait until the client is comfortable paring back multiple relationships to entrust just one or two banks with their assets.

The future win-win for clients and their banks must be based on deeper relationships and greater trust: On Asia's growing acceptance of the roots and traditions of private banking – where service not size matters in a dramatically changed world.

In his viewpoint on what makes a bank boutique

Raj Sriram
Deputy CEO, Asia
Regional Head of Private Banking, Asia
Member of the BSI Group Advisory Board

Embracing Asia's new era of tech-driven client centricity

Client-facing advisers generally need to be better trained and more passionate to more effectively deliver on the wealth management industry's overarching promise of client-centric products, services and people.

The concept of wealth management in Asia is showing a clear, digital-led trend towards client centricity, and industry practitioners believe a combination of training and leadership are the key to unlocking the market's potential.

This should be at the core of both the product and service propositions of wealth managers.

The aim should be giving clients the best solution, not selling a product.

This need is being reflected at the top levels of some organisations, according to Mark Smallwood, managing director, head of franchise development & strategic initiatives, APAC at Deutsche Asset & Wealth Management.

"We ran a workshop for directors and vice presidents. The trend is towards digitisation and straight through processing to become more efficient in giving clients what they want."

"The trend is towards digitisation and straight through processing to be more efficient in giving the client what they want."

MARK SMALLWOOD
Deutsche Asset & Wealth Management

TRAINING AND LEADERSHIP

For Zubaidah Osman, head of agency training at Zurich Life Singapore, this need also translates through to the type of training Asia's up-and-coming wealth advissrs need.

"This generation will look at their phone before engaging their own senses," she notes. "You cannot use what was successful in the past and have to break down training into sessions and make it more experiential."

Smallwood agrees, saying the financial services business needed to get "much better" at developing talent and the way in which it communicated with clients. "If you want to make training mandatory you have to have a system in place

to put training on a digital platform and holding them accountable for doing it," he adds.

Although the digital age has propelled customer engagement to a whole new level, it also threatens to remove one vital element in the process – the essence of a customer relationship.

This, says Andrew Quake of Aspire Lifestyles, cannot be replaced by an email or an app. One of the solutions Smallwood says organisations should consider is their willingness to change or consider investing in CRM partners that can guide them to achieving their long-term goals.

"The key is for these organisations to provide a more holistic proposition to the wealth management customer beyond investments," says Quake, "achieving this by channelling their energy towards supporting the daily needs of their customers with bespoke concierge and assistance services."

In a Hubbis sentiment poll at its flagship Singapore event in May, the audience was asked to choose what they believed were the most relevant skills in today's world of wealth management.

Opinion was evenly spread with 36% of the audience choosing social and soft skills, 29% an understanding of the impact of changing regulations, 21% personal effectiveness, and 14% picking technical skills.

Steven Seow, head of wealth management for Mercer in Asia, says advisers need to have a combination of all three factors, but hard skills are the more difficult to build up. "There is a need to develop both likeability and competence in an adviser if you want to have a good relationship [with clients]." Seow suggests there is a need to have institutional support behind such relationships. Other practitioners say that creating a standardised experience is one of the essential elements of this. While firms can talk about compliance and governance issues , it comes down to how the adviser relates to the client, can solve their needs, and what information they get.

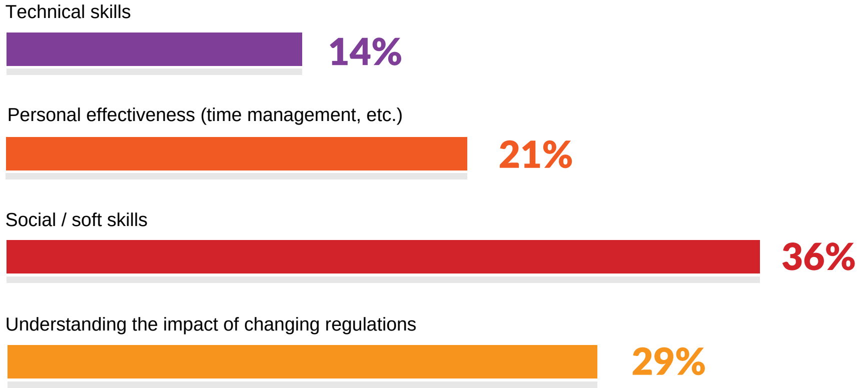
And individuals need to do this early in their careers, otherwise it is an opportunity cost.

In this context, Osman suggests, training should regarded as a strategic tool to reach business objectives, which will "eventually result in better sales and better quality advisers".

What might evolve over the next couple of years is the role of the private banker.

"They will become more of a client executive rather than being as 'hands on' and involved in all parts of the clients' needs as he or she is today," explains Fredrik Lager of SEB Private Banking in Asia Pacific.

WHAT SKILLS ARE MOST RELEVANT IN TODAY'S WORLD OF WEALTH MANAGEMENT?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

"You have to break down training into sessions and make it more experiential."

ZUBAIDAH OSMAN
Zurich International Life

> **"There is a need to develop both likeability and competence in an adviser if you want to have a good relationship with clients."**
>
> **STEVEN SEOW**
> Mercer

Although the private banker will retain the overall responsibility for his or her clients, specific investments will be recommended more based on client profile than on personal judgement by the banker, he adds. "The 'digital trail' of bank recommendations and individual investments will become more and more important."

For those banks which want to be able to compete in the higher segments of private banking going forward, it is not just about having excellent portfolio management tools, explains Lager. "It is just as important to have excellent specialist services within the bank, such as wealth planning and comprehensive tax reporting."

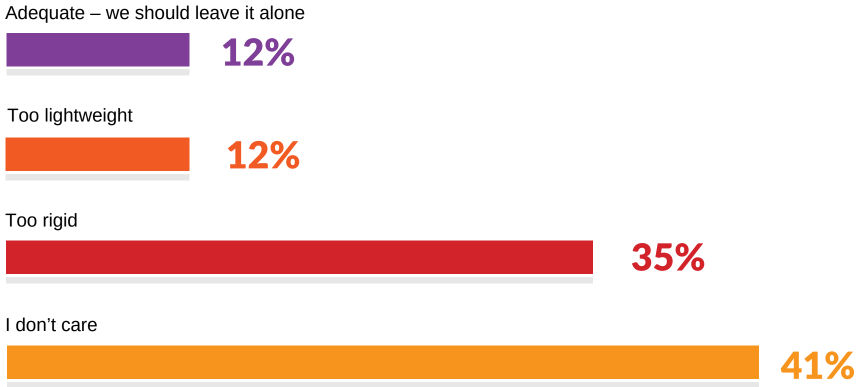
At the moment, Smallwood notes, training is something of a "tick the box" exercise and not tailored to specific wealth management functions. "What a relationship manager needs to know is different to what a structured products person or alternative products person needs to know," he explains. "All of them have different needs and just ticking the boxes it is not effective."

Many practitioners agree that having good leaders is an essential element of avoiding such an approach. Unfortunately, the overwhelming opinion of the audience at the Hubbis event in May was that this is sorely lacking in Asian wealth management.

When asked if they had sufficient leadership within their organisation, only 30% of respondents agreed.

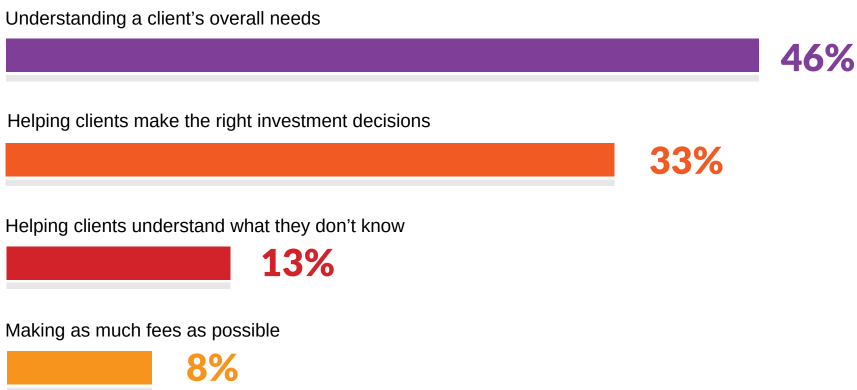
It is therefore important that people who take on a leadership role do so proactively, and have a genuine interest in the people they lead. ■

DO YOU THINK THE COMPETENCY ASSESSMENT AND PROFESSIONAL DEVELOPMENT FRAMEWORK IN SINGAPORE IS...



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

AS A WEALTH MANAGER, WHAT DO YOU THINK IS YOUR KEY RESPONSIBILITY?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

Instilling greater professionalism and ethics in advice

Paul Smith of CFA Institute believes that an ethical cleansing of the asset and wealth management industries is essential – especially as technology-enabled, self-service investing makes it more important for professionals to be able to prove their worth.

It should be incumbent on any professional to sell a service rather than a product. Yet the main frustrations many observers have with the investment and wealth management industries come down to the product-pushing mentality that breeds conflicts of interest – not least as a result of fees being embedded in the product rather than the service.

As a result, front-line practitioners need to remodel the way they operate.

"Whether they can do that is the USD64,000 question," says Paul Smith, president and chief executive officer of CFA Institute. "I can't see how they can because it goes back to the fact that they are generally poorly trained."

PAUL SMITH, CFA
CFA Institute

"The challenge largely stems from the fact that both industries have been victims of their own successes."

Technology is driving an important change by taking the fees out of products. Through robo-investing or allocating more money to passive instruments, institutions on both the buy and sell sides make much less money from individual products.

"The challenge," he adds, "largely stems from the fact that both the wealth and asset management industries have been victims of their own successes."

In the last 20 years or so, they have become sexier and more rewarding than many other industries and have attracted some people who ultimately care more about themselves than the needs of their clients.

This is unsustainable, he explains. “These practitioners do a job that society needs, so if they can’t be trusted to do it the way it should be done, then the regulators will step in.”

BRIDGING THE SKILLS GAP

Moving to a service model requires more than just a mind-set shift. To do it successfully and create a sustainable wealth or investment management business requires highly-qualified and well-trained staff who behave in a professional way.

This is more than Smith talking his own book. While a CFA charter is a logical starting point to get a relevant qualification, institutions must first allocate the proper time and resources to a combination of technology and staff training.

he adds, by overlooking the core skill-set required – trying to advise from the perspective of the client.

Practitioners should think about it like this: their relationship with a client is not about maximising their own profit; it should be about maximising their service to the client and the profit comes later as a consequence.

“Essentially, what the investment and wealth professional has done very badly is selling that idea,” says Smith.

Using an analogy of visiting a doctor, he says that although many patients know in the back of their mind that the doctor might be recommending a certain drug based on financial incentives, patients want to believe that the

“These practitioners do a job that society needs, so if they can’t be trusted to do it, the regulators will step in.”

“They need fewer numbers of high-value people, working with good technology, to run client relationships, because margins are wafer thin,” he says.

Ultimately, being relevant is the key to achieving this. “People need to keep themselves continuously educated,” urges Smith. “The mistake many people make in life is resting on their laurels and not pushing themselves to learn new things and stay abreast of what’s going on in the market.”

The wealth and asset management professions have largely gone wrong, treatment is given with their best interests at heart. By contrast, the challenge Smith sees for the investment and wealth management professions is that it is not the way the end-clients enter into a conversation about products.

A CLEAR MANTRA

Smith is well-placed to judge the scope and implications of the wrong approach. In leading CFA Institute globally since January 2015, he now spends around 40% of his time in Asia, 40% in North America, and the rest in Europe. This involves promoting high standards of education, ethics, and professional excellence among 127,000 members of the investment profession worldwide, who work in 31,000 firms.

By taking a clear stance on key topics that will influence the future of the

Making the investment management industry more sustainable

One of Paul Smith’s key goals as the leader of CFA Institute is encouraging the investment industry to adopt more sustainable business models by proving to ‘Main Street’ the value that it can bring.

There are two levels to this, he explains. Firstly, from a societal perspective, the industry needs to address the broader danger of getting such a bad name that growth is impaired and capital re-allocated. “Especially for investors who live in the developing world, the absence of a functioning financial services industry is a terrible thing,” explains Smith. “We have to start from a better understanding of the role of finance and investment in the development of the global economy.”

Secondly, on an individual level, the focus needs to be on helping investors determine the fair fees for services provided, and what they actually require. “The debate here should be much more about how to embrace technology and innovation, and turn this to the industry’s advantage by proving its skills in providing financial and investment strategies, whether at an institutional or private client level.”

investment management industry, Smith is very conscious that he is carving a path he wants CFA Institute as a whole to go down.

He wants more for the organisation than just being perceived as a provider of exams. "We wish to be known as the professional body to the investment management industry. That is our mission and we are striving for it."

His goal is for CFA Institute to be responsible for investors as well as industry practitioners, driving positive change for society at large.

"My role, and the job of CFA Institute more broadly, is to help engage the debate," explains Smith. "It is very hard for a publicly-owned asset management company to stand up and say certain things. As a result, the gap between public and private conversations in this profession is far too wide today."

PROVING THEIR WORTH

One of the biggest challenges for asset and wealth management firms today is proving and differentiating their individual value propositions.

This is partly because of the many years it generally takes over the investment lifecycle to show the outcome of the advice and strategies given. The temptation that some clients have, therefore, is to do the equivalent of self-medicating. And technology will make that even easier – based on suggested asset and portfolio allocations to meet automated financial plans.

"Financial advisers are going to have a much harder job to prove how they are adding value for their clients," says Smith. "Unfortunately I can't see a way out of that, because if 90% of the heavy-lifting is being done for them by technology, how much can they charge for what they are doing for the client?"

This comes back to his key point about them striving to work and act as a professional. And ethics will form an important part of this, given the need for trust in the client relationship.

In Smith's view, this will inevitably lead to far-reaching consolidation within asset management in particular, especially those firms involved in manufacturing products. But even where passive investing plays a more important role within a portfolio, Smith doesn't discount the need for advice. "It means clients need a CFA charterholder to do different things for them. For instance, which passive investment they should buy, which asset class they need to be in, how long they should own it for, and how that changes through their lives."

TRYING TO TEACH ETHICS

Regulators have become more prescriptive in a bid to do more to further professionalise the wealth and asset management industries. Certainly in more developed markets such as Hong Kong and Singapore, mandatory training on "ethics" is now the norm.

Although a good starting point, this only goes some of the way to address the issue. What is not completely clear, is what needs to be done to ensure practitioners fully understand what being ethical in practice really means and what they need to do to achieve that. "Can you change someone who is in their 20s?" he asks.

As a result, Smith throws the responsibility back into the court of the senior management of each organisation.

"It is the culture at the top that sets the expected behaviour more than anything else," he says, "and this is what we should be striving for as a framework."

"It is the culture at the top that sets the expected behaviour more than anything else, and this is what we should be striving for as a framework."

Moreover, discussions about ethics cannot be disconnected from the role they play as part of building a sustainable business model.

"We have to put those two pieces back together," proposes Smith.

"In the future, if firms don't run a business that places clients' interests at heart and don't prescribe the behaviours of their staff and compensation philosophy, they are unlikely to succeed."

This means it must be less about trying to increase the percentage of honest people working within the organisation; most important is implementing policies that reward the behaviour of the most honest people. ■

Upskilling Singapore's private banking talent

The private banking industry's near-100% fulfilment of the Client Advisor Competency Standards (CACS) Continuing Professional Development (CPD) is a good starting point. However, the financial industry's standards-setter, The Institute of Banking and Finance Singapore (IBF) wants to add more meaning, relevance and content to further raise the bar.

The softly-spoken and at-ease persona of Ong Puay See, the chief executive officer of IBF, might initially disguise her determination to fulfil a bold vision for the industry: raising the competency bar in Singapore for financial sector practitioners, encouraging continuous upskilling and building a sustained pipeline of talent in wealth management to support the industry's growth.

She articulates a competency roadmap that she says she is hopeful will get the industry there. "We see that the IBF Standards are gaining traction, increasing relevance as the benchmark for training and upskilling wealth advisers," explains Ong.

IBF, as the financial industry's national certification and accreditation body, has been working closely with the Singapore private banking community over the past five years to get to this point. The outcome has been structured certification and ongoing competency assessments that are benchmarked against international best practices. "The industry has been strongly supportive of IBF's efforts. Since 2011, the Private Banking Industry Group (PBIG) championed the set-up of common examinations for all relationship managers in Singapore," explains Ong. "In 2013, the PBIG set themselves a target for all relationship managers to fulfil a minimum of 15 hours of CPD. All these dovetail into IBF's overall plan for relationship managers to be certified against a set of professional competency standards."

The approach has already earned recognition from outside Singapore. "We have had a lot of enquiries from our counterparts to share our experience of how we build competency standards," says Ong. "A lot of them have approached IBF to say that they like what we have been doing in terms of setting industry competency standards and promoting independent accreditation of training programmes. We have been very much energised by this growing interest and have been working in partnership with our regional counterparts

ONG PUAY SEE
Institute of Banking and Finance Singapore

to one day achieve a goal of professionalising the industry via a set of common industry standards."

But despite this, and evidence of the industry's commitment to ongoing continuing professional development (CPD) in 2014 year-end figures, the IBF is far from complacent.

IBF has clear deliverables mapped out for itself. For example, with the guidance of the PBIG CPD Advisory Group, IBF is now working at ensuring proposed training content is refreshed and refocused on what matters most to clients.

IBF is also considering proposals for the increase of CPD hours and fine-tuning what is defined as eligible-CPD. Plus, IBF, together with the industry, is looking at ways to better understand how to get more out of investments being made in training, based on what gets clocked in the system each year. From a certification point of view, the IBF has also simplified what's on offer. And there are now more specific career pathways, both to expose private bankers to complementary areas such as wealth and estate planning, and to train priority bankers keen to move into the HNW segment.

Through such a range of initiatives, combined with the flexibility that drives Ong's thinking about how to raise standards and competencies to the next level, IBF is confident that efforts to boost competency will help the industry create a clearer value proposition for its clients.

"The IBF Standards provides a clearer CPD roadmap for each private banker, allowing a junior Relationship Manager to progress from being "IBF Qualified" to eventually being recognised as a veteran private banker, holding the title of an "IBF Fellow". An industry-endorsed certification allows the private banking community to professionalise itself," she adds.

A SOLID FOUNDATION

The strong CPD results are not a chance success. Since 2011, IBF has worked in partnership with the industry to establish the requirement for private bankers in Singapore to pass the Client Advisory Competency Standards (CACS) before they provide any financial advice.

The rationale was to prevent any situations where private bankers might be exempted from being licenced and therefore ironically be subject to a lower bar than their retail counterparts.

Ong shared further details on IBF's efforts with the industry in implementing a 15-hour annual commitment to CPD, post-CACS, in March 2013. She says the decision to start with a minimum of only 15 hours of CPD, was in line with this being an industry initiative rather than a regulatory one.

"We wanted to place the onus and the emphasis a lot more on the banks themselves to self-police what they feel is most useful," she explains.

"We drew a hard line at 15 hours, but beyond that, the banks are being encouraged to scope higher thresholds for themselves."

After some initial nerves about how bankers would respond to what is ultimately not mandatory, the IBF saw convincing initial results. For 2014, IBF statistics showed that 99.7% of private banking professionals required to undertake relevant CPD did so. And of these, 73% exceeded the minimum 15-hour requirement.

CPD priority areas in 2015

Continued emphasis on:

- *Client suitability*
- *Risk concepts and awareness*
- *Wealth and estate planning*
- *Understanding the implications from changing tax transparency laws*

New areas:

- *Cyber security*
- *Implications of the Personal Data Protection Act for private bankers*

Among other notable developments, the private banking industry increased its usage of e-learning as a training methodology. "This may be attributed to the increasing adoption of technology with interactive functionalities to enhance learning," says Ong. "E-learning allows wealth professionals, whose work tends to be mobile in nature, to have flexibility in accessing and conducting their self-directed training."

FOSTERING THE RIGHT MIND-SET

The noteworthy CPD achievement seems to be a result of the approach the IBF has taken to the structure of its CPD framework – a clear focus on the need for industry practitioners to think about training in the right way.

For example, for those people who might have been unable to complete 15 hours in the first year post-CACS, IBF encourages such individuals to catch-up on the hours they have fallen behind. "It should not be seen as a 'penalty' that you are doing more training," says Ong. "Of course there is a structured way we make people do training, but when you start to label certain things as a 'training quota', with a 'penalty' for those who don't meet the quota, it stigmatises training as something undesirable. So we need to start by changing the mind-set about training – for it to be seen as an invaluable self-investment, rather than as an unnecessary distraction."

And with her characteristic optimism, Ong believes that the industry is increasingly realising that training can lead to a competitive advantage for the individual.

It creates the ability for a wealth institution to offer a proposition which, she explains, is in line with giving assurance to clients that the adviser working with them is actually more competent, in managing their money.

Further, it is a tangible way to identify who is committed to the private banking profession, and who isn't. "A good thing about the CPD and the high level of enforcement, is it allows the banks to have a frank conversation with every client adviser," says Ong.

"It is about competency-driven employment, where banks are employing [advisers] because they are passionate about keeping their trade. These are individuals who desire to keep relevant, who want to develop lifelong learning and are keen to master their craft."

That thinking explains why such a large percentage of individuals surpassed the 15-hour CPD minimum in 2014. As do the strict criteria, and caps, set by the IBF for which types of training can count towards the annual requirement, and for how much of it, has had an objective to encourage a mix of learning methods and a variety of content – in turn fostering the right attitude towards competency-upskilling.

"Because we had this approach, the number of true hours that an individual has done is way more than the minimum of 15. Many banks also applaud this effort, as it allows them to start having conversations with their employees about developing career training plans.

It is no longer just a lofty ambition, we now have a formal framework in place for structured training to be enforced in a sensible manner," says Ong.

STAYING CURRENT AND MEANINGFUL

The fact that the IBF wants to encourage a higher number of minimum training hours, and has identified key areas for new – or further – coverage, and wants to make all of this more meaningful, is key to the success and relevance of the structure and goals of CPD in Singapore.

This has come from the annual discussion within the IBF's PBIG CPD Advisory Group, to assess the areas of focus for the training completed and then suggest certain priorities.

A scan of the training landscape in 2013 and 2014 showed extensive coverage of three main areas: first, rules and regulations; secondly, product knowledge; and thirdly, client communication and awareness.

The outcome of the latest annual review includes a couple of areas for more emphasis in the coming year – client suitability, risk concepts, wealth and estate planning, tax transparency, cyber security, and the protection of personal data.

Upskilling between segments

As part of the rebranding of the Financial Industry Competency Standards (FICS) to the IBF Standards, different competencies have been identified and some of the key industry segments have been revised to match them more closely to market relevance.

For wealth management, for example, the key has been to create clear pathways towards private banking. So for individuals who lack specific experience, there are trainable routes for getting access to this industry.

At the same time, the IBF has a revised framework for priority bankers to move into private banking by upskilling. Further, the co-existence of private banking and trusts is now reflected in how the IBF identifies professional training and development opportunities for different individuals.

To provide clear guidance on new skills and knowledge required to move up the career ladder towards private banking, therefore, the IBF has modified and streamlined its certification pathway to create three levels. They are now 'IBF Qualified' through 'IBF Advanced' to 'IBF Fellow' – with the latter generally being an industry veteran who has demonstrated professional excellence and commitment.

Yet this is easier said than done. In particular, areas like tax transparency, risk management, cybercrime and wealth planning, for example, are complex and ever-evolving.

So there is a question-mark over the extent to which 15 hours can even start to do justice to what each private banker needs to learn to truly be competent in their role.

Realising this, too, the IBF is considering, how to have more granularity in the statistics it monitors, so as to better identify competency gaps.

"If we can say that [almost] 100% of the industry did 15 hours, but actually the true amount, when removing all the caps, was 25 or 30 hours, for example, then that is a useful statistic," says Ong.

Further, the IBF is discussing how it can add more meaning to the bluntness of the '15 hours'.

"What we will probably do is suggest certain compositions of the number of hours we decide on," says Ong. For instance, a certain number of hours may be required for regulatory content, a certain amount on product knowledge, client skills and so on.

This is already happening for independent financial advisers and insurance agents under the MAS' regulatory ambit. The regulator has announced that of the 30 prescribed training hours these individuals need to complete each year, eight of them need to focus on rules and regulations, including four on ethics, for instance.

"The idea of prescribing certain training hours in this way is something we are considering," says Ong. "That could be the next variation of how we make CPD a bit more meaningful."

A GROWING RESPONSIBILITY

Inevitably, as the complexity and breadth of topics that are covered increase, the responsibility of the IBF as the standards-setter and administrator for CPD grows.

To ready itself for this, however, IBF has already started its own digitisation and data analytics projects. "Instead of just collecting data for processing purposes and keeping it in vertical silos, we have to make sure we can aggregate all this data and make sense of it," explains Ong.

More specifically, IBF has already invested in a new IBF Portal, a platform which will allow it to collect more granular training statistics.

This can lead to a more tangible measure of the outcome of the average training dollar invested. And it can help fulfil IBF's objective of better articulating a stronger value proposition to the requirements for training.

"We can then provide a lot more insight in a strategic advisory role to the industry to identify a competency gap in a specific area," says Ong.

BENCHMARKING COMPETENCY

The decision in the first place to not make training a mandatory requirement for private bankers in Singapore was a deliberate one.

While Ong says it was one of the options considered before CACS was introduced, all stakeholders ultimately agreed that it would be a good thing if the industry itself could drive greater competency and lead their own commitment to training. This can now be seen in all the changes that the IBF, in conjunction with the industry, is considering within Singapore for 2015.

Ong again puts it down to the willingness and drive from within the industry to raise standards as part of a unique value proposition to clients.

"The IBF Standards will always be that set of strategic initiatives developed 'by the industry; for the industry'," emphasises Ong, "Since our first inception in 1974, IBF has always believed strongly in working in parallel with the industry to develop high standards to meet the growing needs of the industry.

"That will always be the hallmark of the IBF - an institution working in partnership with the industry."

"Our vision is a Singapore which is able to offer to clients well-certified and the most globally-competent private bankers," says Ong.

"That is an individual who is well certified, and who elevates his individual competency, in order to raise standards in the industry." ■

Growing the talent pool

Out of the 15,000 individuals who have been trained under IBF Standards as of the end of 2014, around 1,500 were certified under the IBF Standards for Wealth Management.

This came from:

- *Over 900 CPD programmes*
- *Over 260 wealth management training programmes*

Sticking to what you know to breed private banking success

A tried-and-tested value proposition, but which is also adaptable and scalable enough to evolve with the new demands of digitisation and risk controls, is the only way private banks can expect to survive and thrive in Asia, says Peter Flavel of JPMorgan Private Bank.

Expertise and a focused strategy are the name of the game in a private banking landscape notable for spiraling costs, digital demands in search of more efficiency, and stringent compliance obligations.

Given such pressures, the industry is likely to witness a bifurcation between the larger, international banks with economies of scale, and the smaller, niche players with particular expertise and a targeted client proposition.

"Banks cannot expect to be all things to all people," says Peter Flavel, deputy chief executive officer for JPMorgan Private Bank in Asia.

Increasingly, he believes that between USD30 billion and USD50 billion in AUM is the least that an institution requires to meet the minimum size and scope of infrastructure to run a private bank today.

"Local banks also have a large opportunity in Asian wealth management, including at the HNW level," says Flavel. "This applies to universal banks seeking to broaden their commercial banking relationships to personal loans and investments."

DEMANDING DIGITAL

One of the most costly and time-consuming items on the agenda for all banking leaders is digitisation.

Although this gets talked about a lot in financial services more broadly in the context of fintech start-ups seeking to disrupt the payments industry and distribution channels, Flavel acknowledges that private banks cannot ignore its potential reach and influence going forward.

"The industry needs to address the topic for several reasons, in particular the client experience," he says.

PETER FLAVEL
JPMorgan Private Bank

"People are becoming more used to the concept of transacting online," explains Flavel.

Digitisation also doesn't need to be part of an either/or conversation. Its impact will be notable within private banking as an adjunct to a traditional client relationship. It should be seen as a way to enhance – not disintermediate – the banker who is providing the advice.

As a result, private banks need to find ways via the advisory process to use certain digital tools to make it easier for advisers to understand what a certain market movement means to an individual client portfolio – and therefore which clients they need to contact to discuss different ideas.

"We want to use digital as an augmentation tool for our advisers, to assist them in managing their client base," says Flavel.

"We want to use digital as an augmentation tool for our advisers, to assist them in managing their client base."

Digitisation doesn't stop with the front-line, however. Discussions about its application in terms of straight-through-processing and creating greater efficiencies and economies of scale are equally important parts of the strategy going forward.

STAYING COMPLIANT

Dealing with the requirements of increased transparency and disclosure also requires a greater technology investment, to automate risk controls and compliance processes around KYC, suitability and cross-border marketing regulations. "This is one of the reasons why we are continuing to invest in our IT infrastructure," explains Flavel, "rather than rely on manual processes for these controls."

The new regulatory landscape, it seems, also favours banks with scale, especially in private banking, he adds.

Although there are more conversations around the potential for a utility to undertake a number of these functions, much like a credit bureau does for conducting retail banking credit assessments, client confidentiality continues to be a big hurdle.

Flavel is hopeful this can be overcome if the client mind-set can be adapted, by giving them more comfort around the security of their information.

BRAND RECOGNITION

For the time being, he is quietly confident that his institution has the right focus to remain relevant and up-to-speed with the current demands of clients and the broader environment.

"Our brand is paramount and represents everything we do as a bank," explains Flavel.

For example, he says, the role of its advisers is to bring the best thinking of the bank for the benefit of clients. "Clients come to us for the quality of our investment insight and market intelligence, among other things. This is our value proposition."

In these areas, the bank is a market leader in terms of investing client money in alternatives.

Yet to ensure the bank remains focused on key markets, it has recently re-aligned resources on China, Hong Kong, Singapore, the Philippines, Malaysia, Indonesia and Taiwan, as well as the Non-Resident Indian client segment.

The brand value for the bank's own employees is equally significant to Flavel as he looks to build his business. "This enables us to find and retain the best talent to deliver our brand to clients in the right way, so we need to make sure we provide the best training and help employees develop their careers," he explains.

Achieving growth and scalability in this way requires the bank to bring in more junior people and develop them into private bankers.

This is a subject close to Flavel's heart. And it plays to one of his professional passions given that he sits on the Private Bank Industry Group in Singapore as part of the Institute of Banking & Finance, and also chairs a sub-committee overseeing the implementation of the new mandatory continuing professional development (CPD) standards.

"It probably takes five to seven years to grow a good young private banker," he says, "and it requires deep pockets." This is something the bank is committed to doing as part of its analyst associate programmes, he adds. ■

An agent for change

With a new, regional mandate at AIA, Bill Lisle is focused on driving greater professionalism, productivity and consistency across the life insurer's agency force in key growth markets in Asia Pacific.

With an extensive agency distribution network spanning 18 countries in Asia Pacific, AIA certainly doesn't suffer from a lack of scale.

But a successful distribution strategy isn't all about quantity. It also requires high standards of professionalism to ensure agents engage customers, to help educate them and ensure the experience is up-to-scratch.

For AIA, and Lisle, now is the time to focus on getting this right.

Against the backdrop of Asia's changing demographics – including increases in urbanisation, mass affluence and population, for example – there has never been a better time for the insurance industry, says Bill Lisle, the recently-appointed regional chief executive officer for AIA Group.

The caveat, however, is making sure everything is done in the best interests of the customer, plus that the regulator can see the benefits of insurance in helping not only the customer, but the broader economy, too.

BASED ON REAL NEEDS

Making discussions with customers genuinely needs-based, rather than a product push, is a common refrain within the industry.

This can only happen, however, if there is a move from the use of part-time agents towards a more professional, full-time, sophisticated conversation, and one that is advice-driven, says Lisle.

He has already built-up a track record for this in Malaysia, during his tenure as chief executive of AIA's local business for the past two-and-a-half years.

For example, in 2014, new recruitment programmes targeting the under-35 age group contributed to a 29% increase in the number of active new life planners.

BILL LISLE
AIA Group

In this way, Lisle says AIA was able to drive consumer education on life insurance and address customers' under-served life-stage needs.

LET’S SIMPLIFY THINGS.

CAIDAO | WEALTH

Personal Wealth Management for the New Millennium

www.caidaowealth.com

At the same time, it is important to be realistic about what it will take to boost standards, especially in local markets, given that each country is at a different stage of development.

A one-size-fits-all approach won't work, simply because the various economies are different.

Ultimately, however, size does matter. In the HNW space, to best access the private banking landscape in Asia today, scaled distribution is essential, says Lisle. "Either you need this scale, or you will get acquired." This is going to lead to consolidation across the region, he predicts, not least because several insurance players in Asia lack the firepower to achieve this.

The focus, he explains, will be to leapfrog where the business is currently at in markets like Thailand and Vietnam, and go straight to the type of approach, sales process, client interaction and mind-set seen in Malaysia and Singapore. "We need to condense into two or three years something which in the past has taken 20," says Lisle.

This all starts with the individuals who are recruited. "If we hire smart, young people who are well-educated, trainable and who embrace technology, then we have a great chance of achieving this," he explains.

MAKING HONG KONG HOME

Based out of Hong Kong, Lisle's new role covers five countries across Asia – Malaysia, Korea, India, Sri Lanka and Cambodia. This is out of the 18 countries where AIA operates.

"The opportunity was very appealing to re-join the executive committee for the region and to be one of three regional chief executives in Asia Pacific," he says.

Lisle's track-record suggests he is the right man for the job, based on his many years of in-country experience.

For example, in addition to managing distribution and related offerings in India and Sri Lanka in his early career, he was charged with leading Prudential's businesses in Korea and Malaysia. He later became chief executive of AIA in Malaysia. As a result, Lisle brings a lot of practical industry knowledge to his new role.

Having started out as an agent when he first joined the insurance industry, he also knows what is required to plot a successful career path – and can pass on that wisdom with credibility. ■

"Making discussions with customers genuinely needs-based can only happen if there is a move from the use of part-time agents towards more of a professional, full-time, sophisticated conversation that is advice-driven."

COMMITTED TO COMPETENCY

Facilitating Lisle's mission, AIA has invested millions of dollars in recent years into training its agents – via academies plus point-of-sale technology with bite-sized modules on needs-based selling.

Although this is a process which takes time, Lisle says there is an urgent need to fast-track the evolution.

Lisle will soon put this to the test. The development of a greenfield business in Cambodia, for example, is among his many priorities as part of the new role.

A path less chosen

Born just north of Newcastle in the north-east of England, Bill Lisle was more focused on supporting his local football team than worrying about protection policies.

The philosophy he grew up with was one of having to work hard to get by. And as an engineer in his earlier years, Lisle was set to follow in his father's footsteps.

"There was certainly no career counselling about being an insurance agent," says Lisle.

The catalyst was when his company was acquired and he was made redundant from his engineering role. He then answered an advert in the local newspaper to be an insurance agent. The rest is history.

Twenty six years later, Lisle has traveled the world, lived in several countries and run many types of business. One of the only connections with his early days he cannot shake, is the football team he supports.

Next-generation private banking operating models

The regulatory landscape, coupled with evolving customer needs and behaviours, poses big challenges to private banks to remain profitable in Asia. Adopting an industrialised business model can help to reduce operating costs and operational risks.

The growth of global wealth accelerated in 2014 with the biggest contribution from Asia. As a result, financial centres like Singapore and Hong Kong have benefited immensely from the sustained boom in the region's economy.

However, growth does not always translate into higher profits in Asia's private banking industry.

Although the industry recovered after the global financial crisis, private banks are facing challenges in dealing with continuously increasing operational costs, compliance with ever-changing and more onerous regulations, and mitigating risks in high volatile markets.

Lastly, pricing transparency is increasing rapidly and customers are becoming much more critical about how much value private wealth managers or financial advisers add. Customers are demanding better value for money leading to pressure on basis points charged.

A consequence of these factors is a decrease in profit margins for banks while the underlying market is booming.

Increasing demands for transparency, decreasing revenues, and rising costs, will inevitably force the market to become more efficient as seen in other industries. Banks will have to improve their efficiency, operational excellence and front-office productivity and transform their operating model to be sustainable over the long term.

Bigger banks find it easier to achieve lower operating costs.

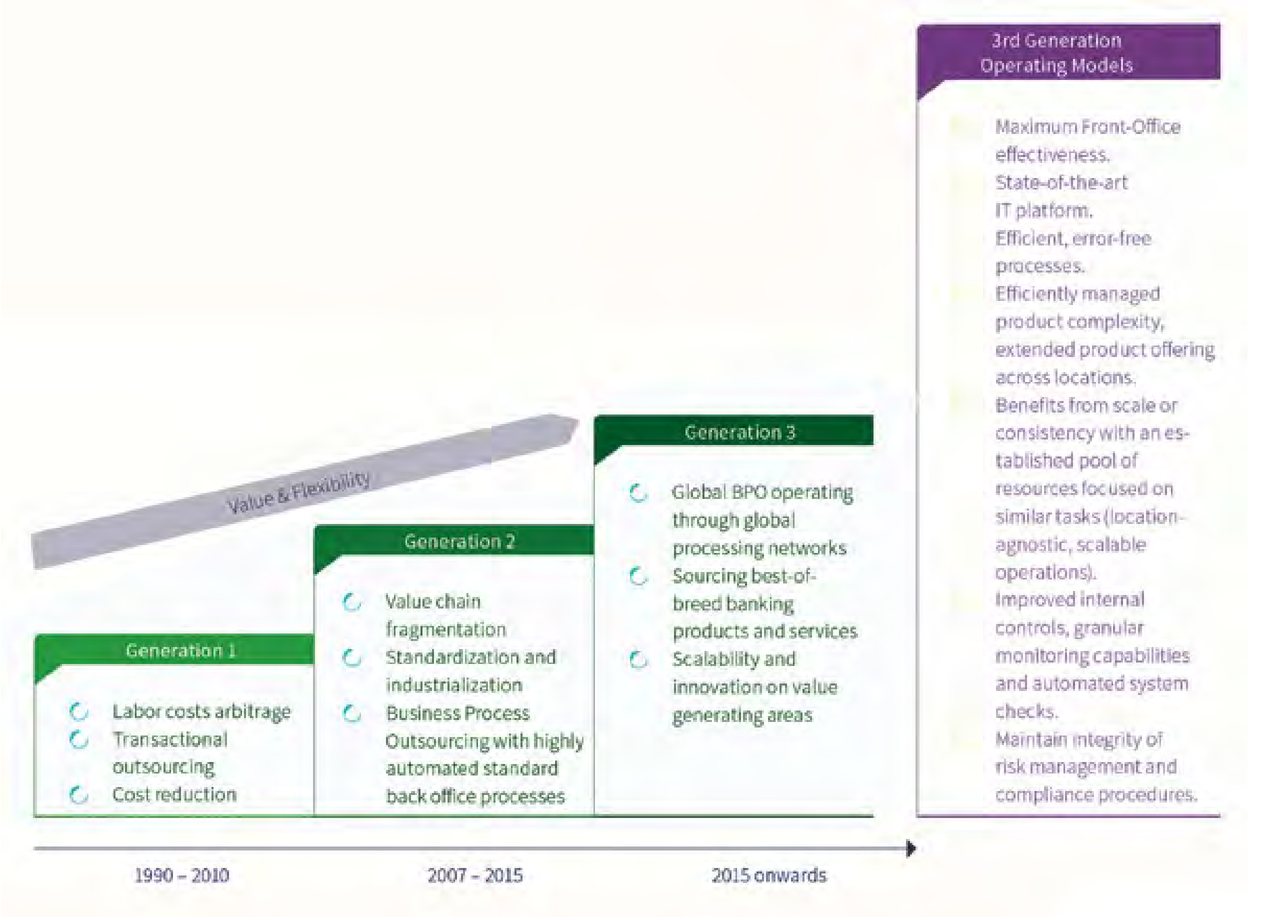
This is not only because of the chance to spread overheads over a larger revenue or asset base, but also due to decreasing costs per unit of output with increasing scale as fixed costs are spread out over more units of output.

Small and medium-sized banks, on the other hand, find it very difficult to cut

YVES ROESTI
Synpulse

operating costs. The only way they can achieve scale is through growth, outsourcing, or M&A. A good example of this can be seen in Switzerland, one of

EVOLUTION OF OPERATING MODELS



Source: Synpulse

the earliest and most mature private banking markets in the world.

The industry is seeing a wave of consolidation and in the recent years, the number of private banks operating in this market fell to 139 at the end of 2013 from 182 in 2005, which is almost 25%. About one-third are unprofitable, KPMG said in a report in 2014.

In general, wealth management is no longer a business model with huge profit margins. The reality is that most banks reeling under losses are finding themselves trapped in inefficient business models. The traditional value propositions are no longer valid and the industry is struggling to adapt.

In the face of consolidation, the industry has begun to make a strong push towards operational efficiency and eventually embraced industrialisation.

PLAYING CATCH-UP

Banks have to ask themselves: how, and in what areas should we achieve competitive differentiation?

Does it make sense that banks are spending a large part of their revenues on back-office and IT services?

And is it even justified to maintain back-office and IT operations at all?

Such non-front office related costs are a result of largely operational activities and they are generally related to non-value add processes.

Managing and controlling these processes leads to operational risk resulting in additional costs.

The front-office staff spends already a substantial portion of their total productive time on administrative related activities like client reporting, compliance related activities, and general paper work.

Driving their focus away from providing value services to their clients, results in the lack of service differentiation and consequently in the commoditisation of services.

Industrialisation of business processes as a concept has been around for a while but for the private banking industry, it is still a recent phenomenon.

Taking a cue from other sectors, the private banking industry has come to realise that it cannot strive to do everything itself and yet remain profitable. After re-evaluating their core competencies, private banks can start focusing on their competitive advantages and strengthening core functions. Industrialisation can help to enable key differentiators and high margin processes.

Outsourcing back-office functions like corporate actions or payment transactions is not new and banks have been doing it for the past few decades.

However, the new generation operating models are now looking beyond traditional cost-saving opportunities in the back office.

For example, all banks must onboard new clients, which includes a wide range of customer acquisition activities, such as account opening, Know Your Customer (KYC), anti-money laundering (AML) requirements, processing and delivery of market prices and asset data.

Later functions are non-value add processes and they have high potential for them to be outsourced to specialised service providers.

However, industrialisation in private banking will not be confined to conventional Business Process Outsourcing (BPO), which mainly dealt with outsourcing non-core functions to low-cost countries (labour cost arbitrage).

In this case, highly-skilled local talents will industrialise the activities in the back-office and provide increased efficiency, for example in straight through processing (STP).

SALOMON WETTSTEIN
Synpulse

“The industrialisation approach helps private banks to cut cost-income ratio to less than 50%.”

The goal is to identify non-core functions in the middle- or even front-office that are common across all banks.

The new generation operating models are therefore based on the industrialisation design principle, commonly known as ‘Value Chain Fragmentation’.

The industrialisation process involves careful selection and outsourcing of processes – those which are repeatable and have no customer touch-points.

This new operating model is not just simply about reducing costs, but foresees that banks can leverage a utility model to cost-effectively manage outsourced services and focus freed-up Run the Bank (RTB) resources (cash and personnel) on core business functions.

This model is a new form of BPO.

It combines ‘Software as a Service’ (SaaS) and ‘Infrastructure as a Service’ (IaaS) for entire business processes.

Key features of this model are no upfront investment requirement, on-demand scalability, and pay-as-you-go facility (per transaction). The result is a variable cost structure allowing a degree of flexibility in strategic decisions.

It combines standardisation, outsourcing and economies of scale, which is attractive for small and medium-sized banks that are too small to achieve economies of scales on their own and cannot afford an in-house state-of-the-art IT platform.

Sharing an IT platform with a standard core banking software solution means also sharing implementation costs of new regulations and market trends. This releases Change the Bank (CTB) resources that can be re-allocated to control those aspects that are of strategic and critical importance to the business and as such strengthen, as well as differentiate, the institutions customer-facing core competencies.

Next to this, these banks can participate in the continuous evolution and innovation that takes place in the standard software community.

The newly freed-up resources and access to innovation allows the banks to intensify the relationship with customers by increasing service quality and creating a digital customer experience.

Latest trends now point to a third generation operating models, which inherits all benefits previously mentioned and adds new advantages.

It is the idea of a global BPO operating through a global processing network. Banks connect to a network of BPO centres sourcing best-of-breed banking products and services.

Each BPO centre in the network acts as a service hub (centres of excellence) that are a combination of location-agnostic, fully scalable (leveraging on a pool of resources focused on similar tasks), improved internal controls, granular monitoring capabilities, and automated system checks.

The banks benefit from maximised front-office effectiveness, a state-of-the-art IT platform, efficient error-free processes, and also extended product offering across locations with efficiently managed product complexity. They will thereby maintain the integrity of required risk management and compliance procedures.

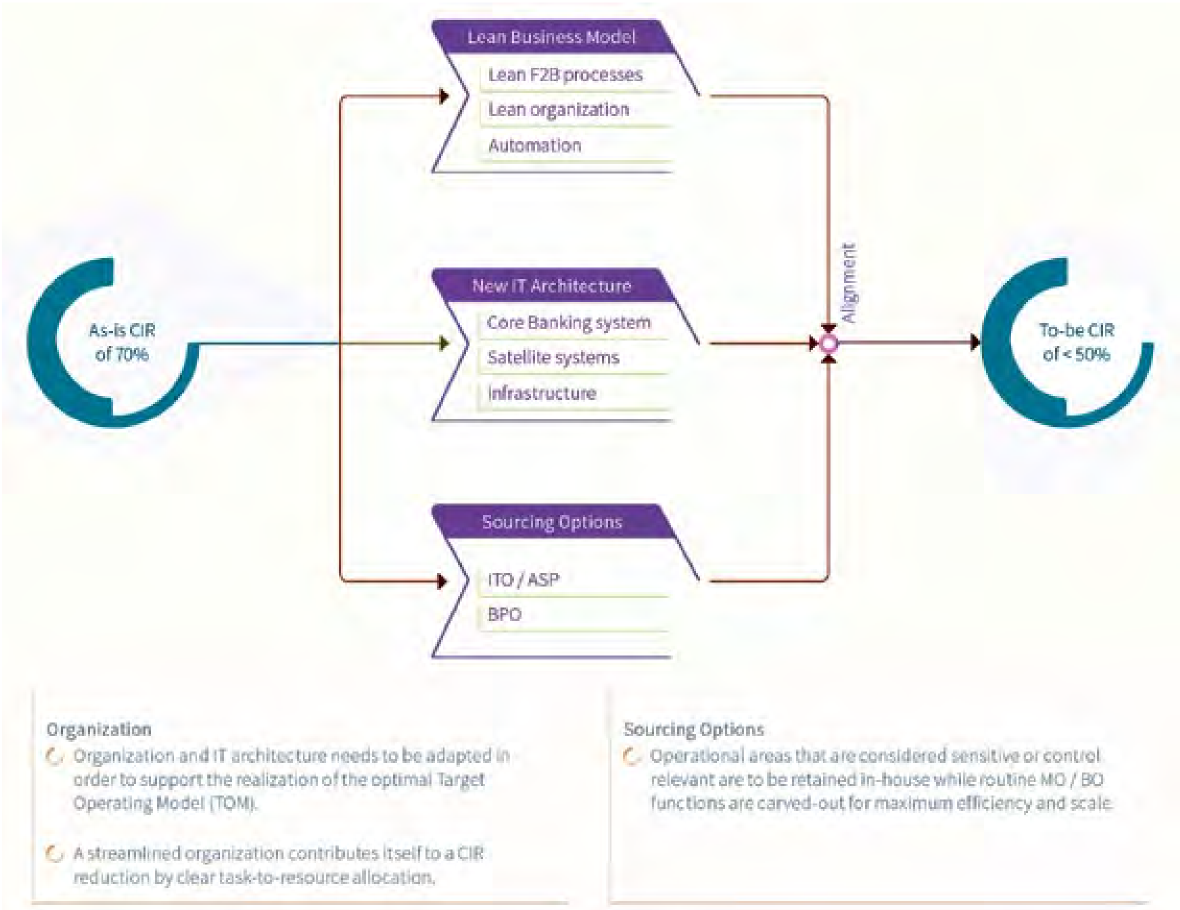
INDUSTRIALISATION IN ASIA

To assess the industrialisation potential in Asia, Synpulse previously conducted a high-level market study for the two main financial centres Singapore and Hong Kong.

It used a top-down approach to calculate the industrialisation potential for the two markets.

Singapore is an ideal location for a global financial hub and gateway to Asia.

ENABLERS FOR CIR REDUCTION



Source: Synpulse

As a result, the asset management industry has grown in the past 10 years as plenty of Western firms look for a foothold to expand into Asia and have set up office in Singapore.

In just five years, from 2009 to 2013, total AUM in Singapore grew from USD 830 billion to USD1.45 trillion, representing a compound annual growth rate (CAGR) of about 10.8% for the period.

In the last three years, the industry recorded an average AUM growth rate of 10.7% per annum. Consequently, Asia Pacific is set to rise significantly in prominence, and many experts predict similar growth for the upcoming years.

Extrapolating the AUM figures with the same growth rate for the next seven years until 2020 results in an AUM of more than USD2.5 trillion, which is nearly double the AUM of today.

If the private banks do not change their operating model and neither start to industrialise, they would spend USD9.4 billion on operational costs by 2020.

Latest reports have shown that the Asian banks spend 30% in non-front related activities, resulting in USD2.82 billion of non-front related costs.

Looking at the cost-income ratio of the average bank in Asia shows that there is a huge potential for cost savings through standardisation, automation, sourcing and economies of scale.

An internal survey of Synpulse reveals that the most efficient private banks in more industrialised markets like Switzerland achieved a cost-income ratios of less than 50% compared to the market average of 70%.

These banks were able to reduce their back-office and IT running costs by 50%. They also maximised STP rates close to 100%, which reduced further non-front related costs including the legal, compliance and risk management functions.

On an average, Asian banks report CIR figures of around 70%.

Leveraging a third-generation operating model can help to radically reduce non-front related costs.

Synpulse believes that most banks are able to cut these costs by up to 50% until 2020.

Hong Kong follows a similar growth story like Singapore. The market shows aggressive AUM growth that is in line with a broader recovery from the global financial crisis.

However, Hong Kong's asset base remains volatile.

The regulatory environment is as extensive as in Singapore, but more prescriptive and retail oriented.

Fund advisers dominate domestic asset management and private banks contribute a smaller part to AUM.

Cost pressure and operational non-scalability leave Hong Kong private banks at unsustainable cost-to-income ratios of 75% to 88%.

Following the same top-down analysis, Synpulse predicts there to be a spend of USD1.45 billion on non-front related activities for private banking in Hong Kong by 2020.

COST TRAP

Banks in Asia with less than USD8 billion in assets reported an average cost margin of 87 basis points (bps) last year, with average revenue margin of 84 bps.

This shows that profit margin will be unsustainable for small and medium-sized banks. High costs owing to consistent regulatory pressures will persist to sustain high growth in Asia.

The banks are struggling to keep up with the increasing cost pressure and lack of service differentiation.

It is only a matter of time before the large players will embrace industrialisation in order to achieve sustainable cost-to-income ratios and gain competitive advantage. Small and medium-sized banks will be under pressure to stay competitive. ■

"In the next 10 years, half of the small and medium-sized banks in Asia will either choose the BPO model or go through consolidation (M&A)."

Understanding Asian client needs key to keeping their custom

Asian money can move at astonishing speed from one product to another, but wealth management providers can thrive in this transactional market so long as they put client needs foremost.

"It comes down to creating hooks that increase client stickiness, and for HNW and UHNW individuals this is very credit led."

BRYAN HENNING
Barclays

"The velocity of the flow of money in Asian markets can make it a struggle for some institutions to retain clients, and their money."

The velocity of the flow of money in Asian markets is remarkable.

On the positive side, this rapid turnover is a sign that Asian clients are now involved in "active discussion" with their wealth advisers about where they should invest, and there is more "structured engagement", says Damien Mooney, BlackRock's head of retail and wealth advisory business in Asia Pacific

Less positively, say other practitioners, the phenomenon could also make it a struggle for some institutions to retain clients, and their money.

"There are only elements of this trend we can control, and the number one is via performance," Mooney says. However, he adds, some clients take their assets elsewhere even when performance is strong.

As well as having strong performance, wealth management providers can also retain clients by focusing on the strength of their institution, according to Bryan Henning, managing director, head of global investments and solutions, Asia,

"If the client has not assessed how they will react to market changes then obviously you will not have sticky assets."

RAJESH MANWANI
Credit Suisse

"We need to account for client suitability requirements," notes Simon Grose-Hodge, head of investment advisory, South-east Asia at LGT Bank. "If a client is conservative or aggressive wants to invest in a particular area of the market we need to have the product to enable them to do this."

From the perspective of product appetite, although there is greater appetite among Asian HNW individuals for alternative investment opportunities,

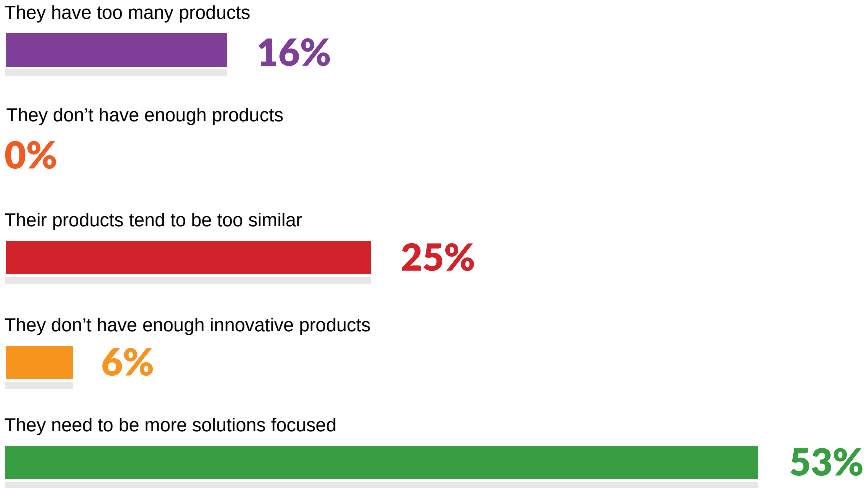
Middle East & Africa at Barclays. "It is about quality of relationships, which starts with the relationship managers (RMs) and senior management," he says. "Then it [comes down] to creating hooks that increase client stickiness, and for HNW and UHNW individuals this is very credit led."

While product gatekeepers within private and retail banks in Asia acknowledge that the amount of product they have to offer is largely beyond their control, they say it is necessary for them to cater to every jurisdiction, and regulatory authority, in which their clients are based.

Indeed, according to a Hubbis sentiment poll at its flagship Singapore event in May, a surfeit of products is not the area of most concern, with 53% of respondents instead saying private banks most lack a comprehensive range of solution-focused products.

A further 25% said products are too similar; 16% said there are too many products on the market; and 6% said there was not enough innovation. Not a single member of the audience voted that there were an insufficient number of investment options.

WHICH OF THESE STATEMENTS ABOUT PRIVATE BANKING PRODUCT PLATFORMS IS MOST ACCURATE?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

"If reading markets becomes any harder it will be a 24-7 job."

SIMON GROSE-HODGE
LGT Bank

private banks need to respond to the post-2008 wariness of these clients around issues such as transparency and liquidity. “They have concluded that they will need more transparency in terms of risk exposure and what was going on in the portfolio,” explains Andrew Au, head of Asia ex-Japan at Lyxor Asset Management.

For example, he says more thorough and ongoing investment and operational due diligence is essential.

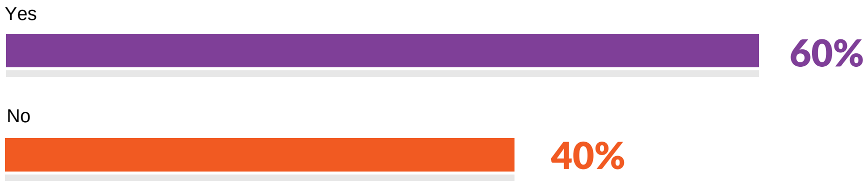
This can lead not only to shorter on-boarding cycles of the hedge funds, but also provide more security. More detailed portfolio reporting and construction tools are also in favour, he adds.

Further, Au says there is growing demand from private banks for UCITS hedge funds. “They meet clients’ requirements for safer, regulated and transparent hedge fund investments.”

“[Private banks] will need more transparency in terms of risk exposure and what was going on in the portfolio for alternative investments.”

ANDREW AU
Lyxor Asset Management

SHOULD BANKS MOVE FROM ADVISORY TRANSACTIONAL TO DISCRETIONARY IN ASIA?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

MANAGING EXPECTATIONS

Although having quality products is important, increased use of discretionary mandates is pulling wealth management in Asia towards a more advisory-based model. This should be a positive development for the industry, says Rajesh Manwani, head of product Management, Asia Pacific at Credit Suisse Private Banking & Wealth Management. Even so, he cautions: “If the right client discovery hasn’t taken place and the client hasn’t assessed how they will react to market changes then obviously you will not have sticky assets.”

Lennie Lim, managing director, regional head, Asia at Legg Mason Global Asset Management, agrees, adding that the biggest challenge for wealth managers was to make their products relevant to Asian investors’ specific behaviour.

“This means a combination of product design and education,” he says.

“We should drum in the need for diversification and long-term investment.”

“The most important part of being on the same page as clients is to manage expectations.”

HANS GOETTI
Banque Internationale
a Luxembourg

Managing clients' expectations is a vital element of this. It can be achieved by providing them with tailored products and services, notes Hans Goetti, head of investment, Asia for Banque Internationale a Luxembourg:

"You have to make sure you are on the same page as each of your clients," explains Goetti.

"The most important part of this process is to properly manage their expectations," he adds.

"Potential private bankers need to have seen a few investment cycles so they become a lot more confident when dealing with clients."

"I could show you two investors who start [with us] the same day and have the same risk profile and invest in the same product, but at the end of the day one will be happy [with the outcome] and the other is not."

Having the right interface, and technology, will be a vital part of tailoring product and service to Asian clients' disparate and wide-ranging investment needs, the panellists believed.

"We are facing client challenges, and compliance challenges in terms how quickly we are able to bring something to market," notes Henning.

"I see [technology] as having something working in the background that is able to understand a client's portfolio and feed in market events in order to generate recommendations. If we were to start our own private bank from scratch today, a digital front office would be the foundation of technology."

MOVING TO DISCRETIONARY

Returning to the topic of the move to discretionary advice first raised by Manwani, Grose-Hodge noted that this would be increasingly important as markets become harder to read for clients, and in some cases for industry professionals themselves.

"If [reading markets] becomes any harder it will be a 24-7 job. [Yet] many of our clients who have expensive lawyers and doctors think they can do their investment on their own," he says. "There is a need for people to use more discretionary advice, particularly in the current era of low interest rates."

However, Asia will need a tailored form of discretionary, argues Goetti, suggesting it would be blended with more, and deeper interactions with clients.

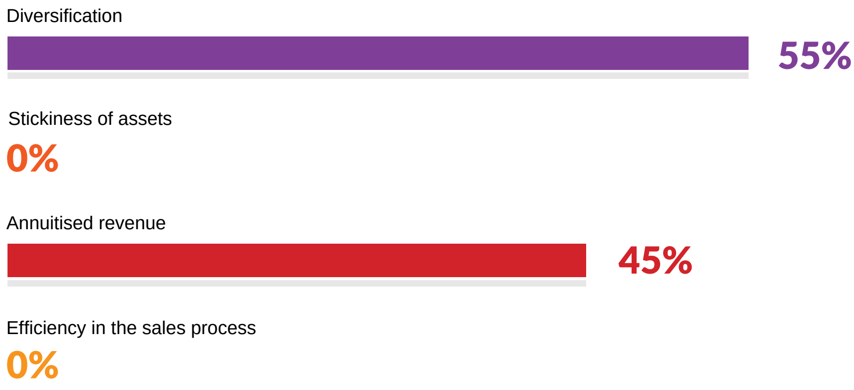
"[Asian clients] like to be in the loop and this will increase their comfort level," he adds.

Ultimately, says Henning, a firm's advisory service can succeed if it has the right service philosophy, and is able to avoid "force-feeding" any particular model to clients.

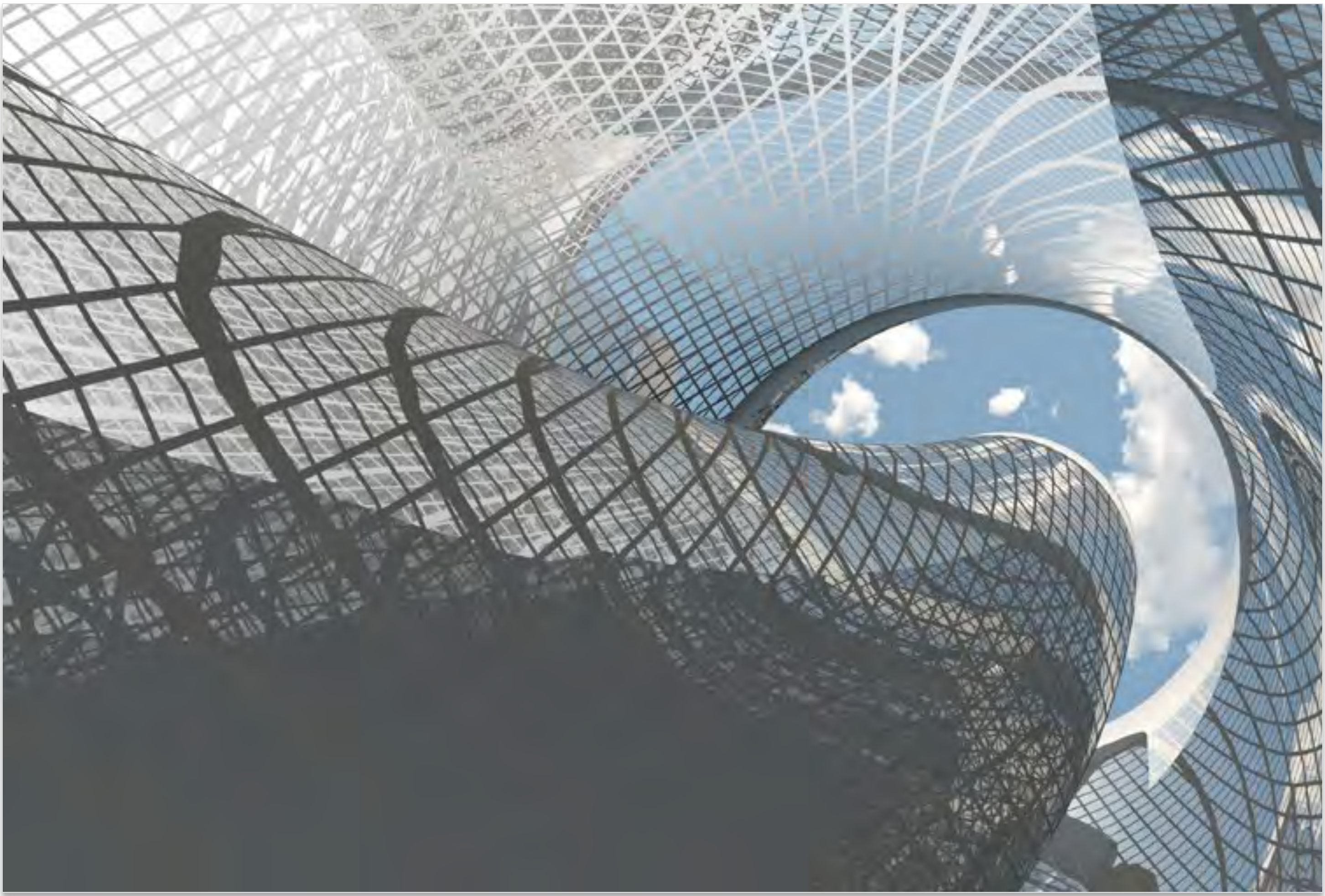
In another sentiment poll during the Singapore event in May, the audience was asked what their primary objective was when they are selling investment funds to clients.

Some 55% opted for diversification, and a further 45% said that they would prioritise annuitised revenue. ■

WHY DO YOU SELL INVESTMENT FUNDS TO YOUR CLIENTS? WHAT IS THE OBJECTIVE?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore



Forward Thinking. Thinking Forward.

At Thirdrock, the future starts now. With a unique understanding of what matters to our clients, we have built an innovative and fully integrated investment platform to provide truly independent and tailored solutions to satisfy each diverse and individual need.

Drawing from our depth of professional experience and intellectual capital, we are committed to putting your needs first, and giving you a firm hold on your future.

ThirdRock

Investment Management I Fund Management I Corporate Advisory

5 Temasek Boulevard, #10-06, Suntec Tower Five, Singapore 038985
T 65 6922 0750 F 65 6922 0759 www.thirdrockgrp.com

Mix of active, passive funds key to private wealth managed solutions

As Asian clients seek more diverse, flexible and cost-effective solutions, private banks and wealth managers are set to offer new fund combinations. Damien Mooney of BlackRock says the firm is helping deliver optimised portfolios of active funds plus ETFs and index funds.

The greater penetration of managed solutions is a topic which continues to get a lot of air-time within the context of Asian client portfolios – but with little tangible evidence of any significant move in this direction.

But BlackRock might have found a way to help private banks and retail banks develop their business in this area.

By using its market-leading presence in both actively-managed funds as well as passive instruments, the USD4.7 trillion asset management house is looking to capitalise on the increasing use of index funds and ETFs across Asia by combining them with active funds – and packaging it all up in a single solution.

Damien Mooney, the firm's head of retail and wealth advisory business in Asia Pacific, says this ties in to the discussions that BlackRock has been having with clients in the region about using its multiple capabilities to create an offering that is portfolio-led rather than product-focused.

This is a far cry from the old days when asset managers just tried to sell funds based on their performance. And as most private and retail banks continue to try to evolve their approach, they have been looking to populate portfolios with more relevant and diverse instruments. "Depending on what is required, we are able to bring both active and passively managed capabilities together in combination," says Mooney. "It's all about being able to customise our solutions delivery to meet client choice."

SCALE TO MANAGED SOLUTIONS

A key benefit about the active-passive mix is the ability to make managed solutions accessible to a larger number of clients which want them, but have typically been lower in AUM in terms of net worth to justify the time and investment by their bank in developing

DAMIEN MOONEY
BlackRock

something which is customised. For example, explains Mooney, in the past investors of a certain asset size which didn't allow them to access something

more bespoke, might use a global allocation fund as core portfolio, around which they added tactical investments to create a kind of advisory discretionary solution built within a platform. "Now, there is a good opportunity to use a mix of active funds and ETFs."

This is particularly effective in cases where the client has a specific need or objective for their investment, and also when they want to keep costs low yet not compromise on transparency. "Increasingly, we are seeing opportunities emerge in the wealth space for managed solutions involving only ETFs," says Mooney. "In effect, delivering a managed ETF portfolio solution."

In such cases, they might request from BlackRock a model portfolio recommendation with certain ETFs inside it.

MARKET OPENINGS

Using this new approach, there are various options for how a managed portfolio solution might be constructed.

For instance, for private banks with their own asset allocation or investment view, they might request from BlackRock a recommended list of ETFs to embed and align with this mandate. "In this way, we are either the ETF provider of choice, or recommend our most appropriate ETFs alongside competitor ETF offerings, where the adviser is using ETFs as the building blocks of the portfolio," says Mooney.

A more innovative step can be taken to give clients what Mooney calls "the best of both worlds". This involves a blend of funds by optimising active funds and ETFs in combination.

As result, he says the objective is not necessarily to seek the lowest-cost portfolio, but rather create a portfolio with a specific outcome – for example, to help a client generate income of a certain level, or at a certain price point. "We are finding through our product range and also our modelling capability we can deliver outcome-based products which gives an investor an income in the 4% to 6% return range per annum."

GUIDED ADVICE

Where BlackRock is required to provide the underlying exposures via ETFs, the onus falls on the firm to select the best vehicles for the bank to incorporate inside its managed portfolio.

This need for ETF advisory creates an interesting aspect to the growth of that market, says Mooney – in the form of ETF due diligence – which didn't really exist before. "For anyone trying to understand whether to move into ETFs, they need to know which criteria to use to choose the best ETFs, either as an ETF-only solution or for ETFs combined with funds," he says. "A lot of the questions from banks are about how to help clients understand their options as part of the process."

For the active and index fund combination, Mooney says his colleagues are also increasingly getting called on to provide guidance for banks on how the asset manager would construct this type of portfolio. "We might not build it for them. But we need to help them understand how we look at risk-return trade-offs to optimise the funds."

The key here is optimisation, he adds, given the desire to create a portfolio solution to deliver a specific outcome like income or inflation protection, by finding the most relevant blend of funds.

This, along with the rest of the initiative, has been borne out of an existing capability the firm has had in its Model Portfolios & Solutions Team, which is focused on delivering the types of model portfolios Mooney is describing. "In terms of development, we would say it's been more demand-led than our client-facing teams pushing the idea."

He adds: "I believe it goes back to the trend in the advisory market regarding the general opening up of the concept of managed solutions and discretionary portfolios within private banks and retail banks in Asia. Yet not all of them have the investing expertise in international markets to do it themselves and don't always want to settle for a packaged option like a mutual fund."

It is early days in the development of this offering within the wealth management space in this region. Yet Mooney's teams are seeing interest for active and ETFs in combination from selected clients wanting to build a managed solution to wrap inside an insurance product or a portfolio solution. ■

"It's all about being able to customise our solutions delivery to meet client choice."

Building investor loyalty through portfolio discipline

In an increasingly commoditised market for mutual funds, banks can increase customer stickiness by giving equal priority to keeping an eye on customers' portfolios and advising on when to exit a position as they do to promoting new products, believes Ryan Sim at OCBC Bank.

Banks focusing on selling funds but not suggesting when customers would be better off exiting a product is a commonly- raised concern in Singapore's fund market, according to Ryan Sim, head of investments at OCBC Bank.

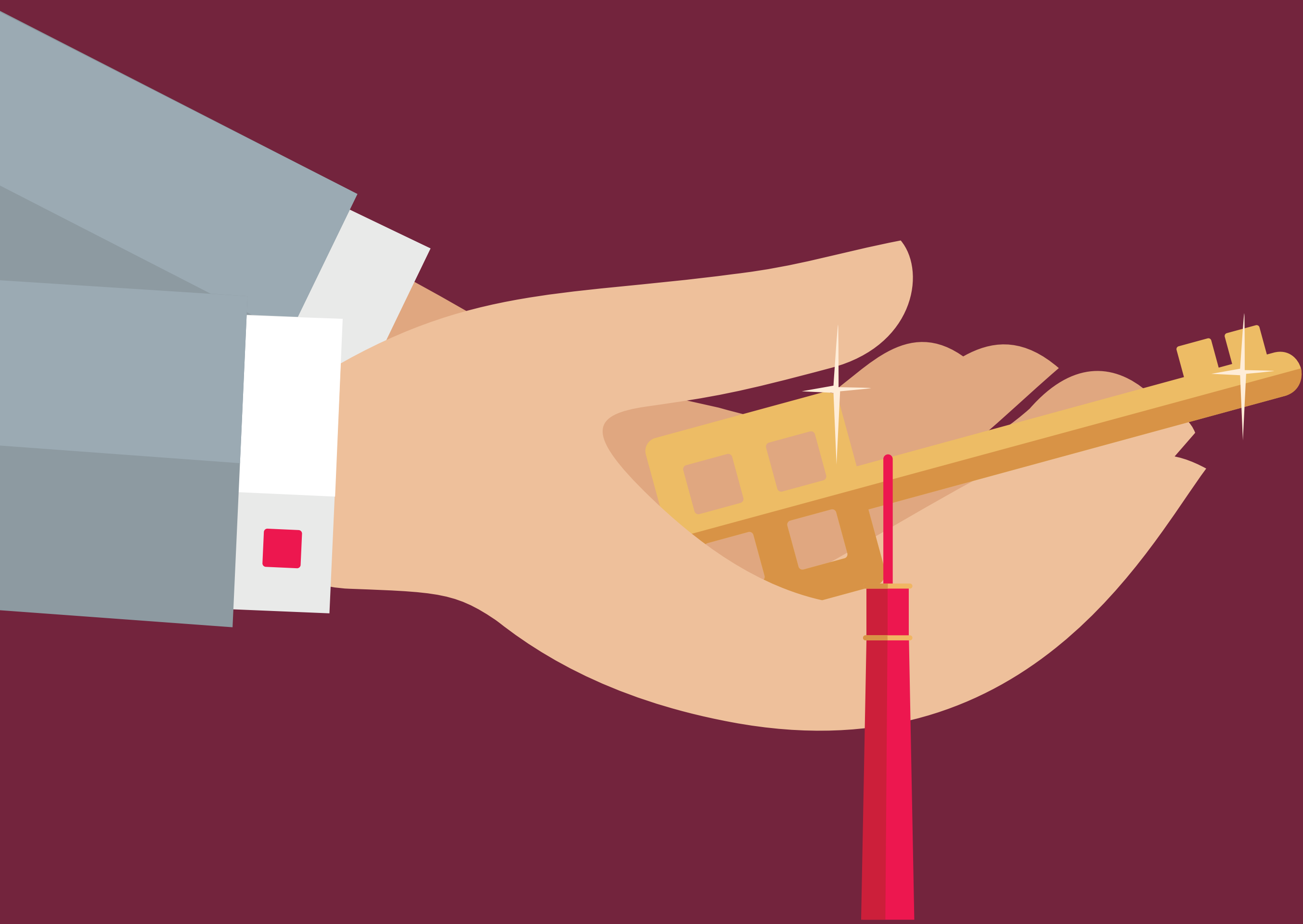
"One of the biggest issues investors have today is advisers are always telling them what they should buy but seldom when to sell," Sim says. Since the financial crisis, he notes, banks have been seeking new ways to engage clients and differentiate investment advisory.

In this context, Sim argues, it makes sense for institutions like OCBC to keep an eye on investors' portfolios and provide timely recommended actions in response to events.

The bank's reaction has been to establish an internal framework to monitor all of its clients' mutual fund holdings and to be alerted in the event of abnormal price movements or when there are changes to portfolio managers or house views. "In this instance, we will approach internal and/or external sources to obtain their comments and analyse these views before recommending [whether or not to stay in the product]," explains Sim.

"One of the biggest issues investors have today is that the industry is always telling them what to buy but seldom when to sell."

RYAN SIM
OCBC Bank



CLIENT FIRST

If alternative solutions are provided, OCBC empowers its sales people to lower transaction fees all the way to nil, if doing so will encourage customer stickiness, and conveys that such a recommendation is done purely in the customer's investment interests, and not to earn the transaction fee.

"We can maintain the relationship by facilitating the client's investment in an alternative fund.

"It may bring lower revenue but if it brings a positive client experience, it has a much more positive, long-term impact," he says.

Sim believes such an approach by wealth managers would boost the industry's reputation

Product differentiation is difficult in today's increasingly commoditised mutual fund market, Sim notes.

Although an institution might stand out by being the first to bring a certain type of fund to market, it can quickly be copied by rivals.

The client experience has therefore become paramount, and Sim believes a move to discretionary products is another way OCBC can enhance this.

"Every bank will say they have a model portfolio that is managed in a certain way," he says. "But when it comes to the crunch, executing portfolio actions may get difficult."

However, Sim notes, the move to discretionary will not happen overnight.

"If the concept can be pitched clearly to the customer in a way that helps them understand its advantages, it catch on slowly," he says.

"[Discretionary] is not going to generate billions in AUM over a year, but as investors in Asia become savvier, they will start to see there is value in discretionary products."

He expects growth in this product segment to spread to the priority banking space, as more affluent clients come to appreciate "additional product sophistication and services".

The second is gaining insights into what end-investors want, which OCBC does through grass-roots research. "We sometimes obtain insights from customers or by speaking with our sales people," says Sim.

"If demand is big enough, we will work with our product partners to carry or design an investment product that could appeal to our target customers." Such an approach requires a similar level of engagement from fund providers, including closer support. This is especially important in times of market uncertainty, Sim notes.

> **"We need closer support from fund managers, especially when markets do not appear to be doing well or are volatile. We appreciate their responsiveness because this impacts our response time to people on the ground."**

FUND SELECTION

That is not to say product itself is unimportant, Sim adds, with the hunt for yield in the current low interest rate environment a particular priority. "The fact that money erodes over time is a very real concern," he explains.

"It is important that the product shelf has sufficient options and alternatives to cater to clients, whether they are conservative or aggressive. There is something out there for everyone."

For its part, OCBC takes a two-pronged approach when choosing mutual funds to add to its platform. The first step is establishing the bank's in-house investment view and medium- to long-term outlook for markets.

"We need closer support [from fund managers], especially when markets do not appear to be doing well or are volatile," he explains.

"We appreciate their responsiveness because this impacts our response time to people on the ground."

OCBC also needs information from fund managers to be precise, particularly in a market where strong performance should always be a given quality of its selected funds.

"The speed of response is what people judge you by these days," Sim says. ■

A straightforward approach to fee-based advice

Despite their business acumen, HNW individuals are not always financially savvy. So the best thing any wealth manager can do for them is offer clear, unbiased advice for a simple fee. That's the philosophy of Steve Davies of Javelin Wealth Management.

There's a big gap between what most wealth advisory firms say, and what they actually do. This is often a financially-motivated thing, where a desire for short-term revenue over-rides the logic of building long-term relationships with their clients.

Determined not to fall into a similar trap of words speaking louder than actions, Steve Davies founded Javelin Wealth Management in Singapore in 2003 to provide straightforward advice for a simple fee, and a focus on long-term wealth management. This is something he couldn't find for himself.

And he bases his deliberately-different approach on four guiding principles.

First, Davies and his advisers make recommendations only after clients tell them what they are looking for; secondly, the firm only recommends products that its advisers would invest in themselves; thirdly, the advisers work for the client, not commission; and fourthly, the fact Davies and team own the business means the focus is to put clients first to ensure continued success.

"We provide straightforward advice for a simple fee, and a focus on long-term wealth management."

STEVE DAVIES
Javelin Wealth Management

CLEAR OFFERING

The firm's positioning is now simpler than ever before.

Since early 2015, Javelin Wealth Management has been working with a branding consultant to refine its proposition for clients.

FULLERTON FUND MANAGEMENT

INVESTING AT THE HEART OF TOMORROW

Fullerton Fund Management Company Ltd
60B Orchard Road #06-18 Tower 2
The Atrium@Orchard Singapore 238891

T +65 6828 6828
E info@fullerton.com.sg
fullertonfund.com

"We have simplified the message quite significantly in terms of telling clients what we do, but the core message we are putting across is really centred on what we refer to as *Asking Better Questions*, of advisers and of themselves," says Davies, who is the chief executive officer of Javelin.

This booklet, which Davies put together two years ago, has about 20 different questions he encourages clients to ask him and any other adviser they speak to, before they do any business with them.

Further, there are questions he encourages clients to ask themselves, to ensure they are being honest about their real attitude towards risk, for example.

"What we have been really focusing on is coming up with an investment process that is straightforward, transparent, easy to understand, works well, and uses a variety of relatively simple and understandable products for our clients," he explains.

He makes this work by starting with a minimum investment of USD500,000 for a diversified portfolio that typically invests in a range of mutual funds and low-cost index funds.

MORE EFFICIENT PORTFOLIOS

After obtaining a Capital Markets Services (CMS) licence in 2014, the firm can also run discretionary mandates, based on its model portfolio.

"As a result, it means we are able to run client portfolios more efficiently and take advantage of changes in market conditions more quickly," says Davies.

To create the portfolio in the first place, the firm's advisers show clients a typical example of a model portfolio, broken down to explain what they're investing in and why, and how much it costs.

With almost half of the products in those portfolios being ETFs, Davies can ensure it is low cost and transparent.

The firm's discretionary managed portfolios aim to invest over a three to five-year time period, but with regular reviews and monthly updates.

Davies is also proud of the fact the firm offers a fee structure which is simple and transparent.

"Once the portfolio is over USD1 million, it's 1%. We only charge an advisory fee, that's it," he says. "No upfront charges. No exit penalties if they want to wind up that portfolio within six months. No hidden fees, commissions or kickbacks."

> **"Once the portfolio is over USD1 million, it's 1%. We only charge an advisory fee, that's it. No upfront charges. No exit penalties if they want to wind up that portfolio within six months. No hidden fees, commissions or kickbacks."**

This way, he can be sure of keeping the firm's interests clearly aligned with those of its clients.

As a result, it doesn't matter to Javelin whether the portfolio trades multiple times or never.

"We are incentivised to help every client portfolio grow in value because, by doing so, we make more money," explains Davies.

EFFICIENCY INCENTIVISED

The Javelin model is not one which gets too fussed about scale.

Davies says the firm isn't looking to do business with too many clients and, in fact, plans to stop taking on new accounts once it reaches a critical mass.

This makes it important, therefore, to always think about how to be more efficient. And Davies has recently spent time and resources installing a new integrated customer relationship management (CRM) and portfolio management system.

"We don't want to compromise the quality of the advice and quality of the service we offer," he says.

"We are not a sales-driven organisation; we are relationship driven."

Davies can control this by keeping the team small.

He has a total of eight people, with three on the relationship management side, a chief investment officer, a head of operations, and support staff. ■

Evolution not revolution essential for Asian asset management

Asset management companies in Asia can thrive if they tackle the dual challenge of educating investors about investment products and dealing with increasingly complex regulation.

Asset managers are entering new markets in Asia despite regulatory headwinds and the region's relatively low penetration of mutual funds.

According to Stephen Grundlingh, co-chief executive officer and regional head, South-east Asia at Franklin Templeton Investments, the region presents an altogether different challenge to Europe and the US. "In the US, regulators are looking to harmonise rules for brokers and other advisers that will lead to fee based advice."

Adds Grundlingh: "In Europe, MIFID 2 (the Markets in Financial Instruments Directive) is coming and will change how distribution is being paid for. In Asia, the problem we face is the low penetration of mutual funds. [Boosting this] comes down to education and how we meet needs in diversified markets."

"Regulators are now looking very closely at the most prominent asset managers and products with anything to do with market liquidity."

HUGH YOUNG
Aberdeen Asset Management

"The key for fund managers to thrive in the current environment is to stay focused on their expertise rather than trying to be all things to all people."

Hugh Young, managing director, Aberdeen Asset Management Asia, agrees that education is the main challenge that asset managers in Asia face, but he also says firms are now facing rising pressure on costs.


AVIVA INVESTORS
For specific investor outcomes
At Aviva Investors, we believe it's time to think differently. That's why our entire organisation is united behind one common goal – to deliver the specific outcomes that matter most to today's investor. By harnessing the exceptional breadth and depth of our global resources, we cut a path through complexity to focus on the specific outcomes your clients need.
Visit avivainvestors.com
or call +65 6491 0560
investor outcomes
Sustainable Income | Capital Growth | Beating Inflation | Meeting Liabilities
For today's investor
AVIVA
INVESTORS

> **"In eight of the 10 countries of ASEAN, 40% of the workforce are below 30. There needs to be more focus on engaging this group of investors."**
>
> **ANTHONY SIAU**
> RHB OSK Asset Management

Despite these challenges, Alexander Henderson, managing director, Asia at Henderson Global Investors believes the region will be one of the main drivers of growth in the global mutual fund industry. But he adds that local investors still need some "hand holding" when they are considering a collective investment scheme. "There are challenges in managing the expectations of [Asian partners]. The biggest task we have is teaching the importance of diversification," he says.

THREE TRENDS

According to Gebhard Giselbrecht, managing director, head of asset management Singapore, and chief operating officer for asset management, APAC at Credit Suisse Asset Management, the industry is currently undergoing three key changes.

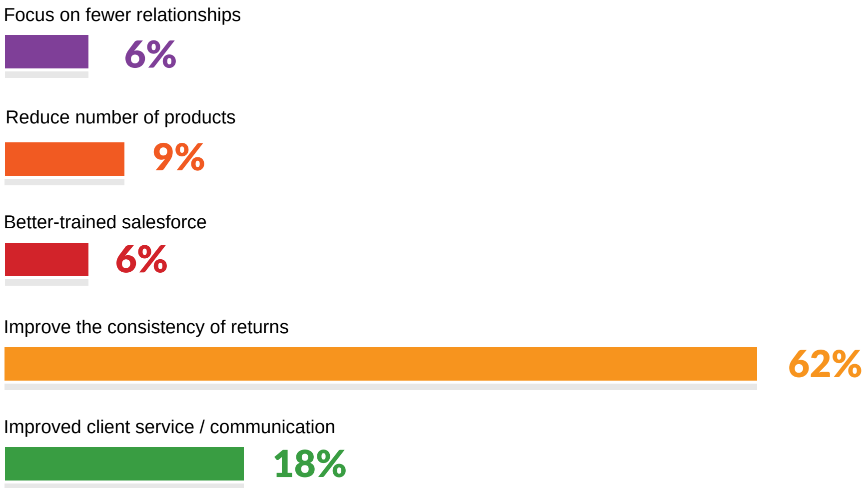
The first is separating alpha- and beta-generating products, a trend that Giselbrecht argues will impact pricing, as fund managers who merely follow a benchmark will be questioned if they ask for the same level of fees active managers receive.

The second is increasingly complex regulation, a topic he suggests the most prominent asset managers are best able to address.

The third is a shift to investing in Asia Pacific assets, which, despite concerns over China's equity market, will be a long-term trend. "We will need to focus on fewer relationships, reduce the number of products, offer consistent returns and improve communication," says Giselbrecht.

In a Hubbis sentiment poll at its flagship Singapore event in May, the audience

HOW SHOULD ASSET MANAGERS DEVELOP DEEPER RELATIONSHIPS WITH PRODUCT GATEKEEPERS?



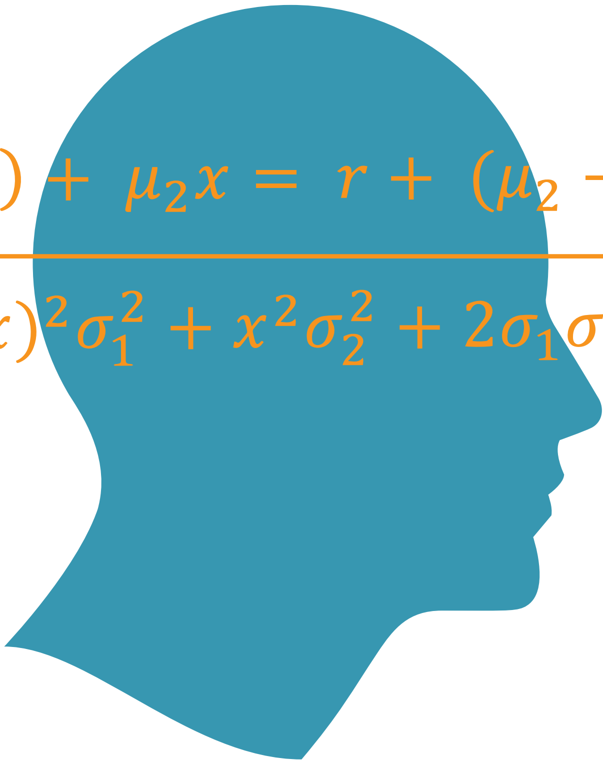
Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

> **"We are not going to go to distributors and say we have 10 products all of which are going to be top sellers. We need to stay focused."**
>
> **TERENCE LAM**
> AXA Investment Managers

olz

你的財富經理

www.smartindexing.ch



$$\mu_X = r(1-x) + \mu_2 x = r + (\mu_2 - r)x$$

$$\sigma_X = \sqrt{(1-x)^2\sigma_1^2 + x^2\sigma_2^2 + 2\sigma_1\sigma_2(1-x)x\rho_{1,2}}$$

Switzerland

"We are faced with low penetration of mutual funds. Boosting this comes down to education."

STEPHEN GRUNDLINGH
Franklin Templeton Investments

Having the right product that meets investors' needs is simply the first step.

Of even greater importance, she says, is the ability of the asset manager to articulate the features of a product in a clear, transparent and relevant way to the target clientele. Further, and perhaps most critically, the product must be able to deliver consistent performance. "Strong business commitment and high standards of servicing are also essential for winning long-term client relationships," says Cho.

was asked which factors was most important for asset managers to improve their relationships with gatekeepers.

Improved consistency of returns was a clear winner, with 62% of the vote.

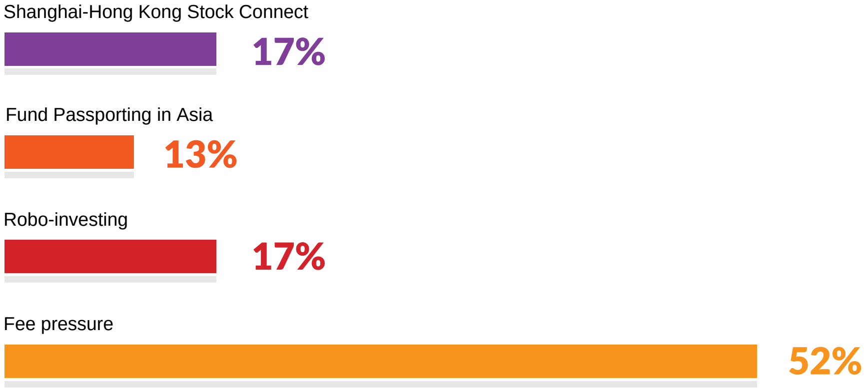
The key for fund managers to thrive in this environment is to stay focused on their expertise, rather than try to be all things to all people, suggests Terence Lam, managing director, head of sales and marketing, Asia-Pacific at AXA Investment Managers.

"We are not going to go to [distributors] and say we have 10 products all of which are going to be top sellers. We need to stay focused," he explains.

"Client servicing is also vital. We need to be fast and act quickly."

Amy Cho, managing director and regional head of business development at Pictet Asset Management in Asia Pacific ex-Japan, says there are several ways asset managers can stand out amid the intensify competition from firms around the world looking to capitalise on the trend of rapid wealth accumulation in Asia.

WHAT WILL BE THE BIGGEST GAME-CHANGER FOR ASSET MANAGEMENT IN 2015?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

"In Asia the biggest task we have is teaching the importance of diversification."

ALEXANDER HENDERSON
Henderson Global Investors

"Our boutique model in asset management aims to combine the best of both worlds - specialised investment capabilities with institutional governance and oversight."

GEBHARD GISELBRECHT
Credit Suisse Asset Management

Domestic asset managers also have a place in this fast-developing market, notes Anthony Siau, chief executive and regional head of group institutional business at RHB OSK Asset Management, but rather than taking on major international names, firms like his are following their own paths.

"We are in eight countries in ASEAN now, and will have licences in all 10 countries soon. This is where we can leverage our strength in asset management as well as banking," he adds.

For Steve Knabl, managing partner at external asset manager Swiss Asia, it is not which firm to choose from, but which investment would perform best.

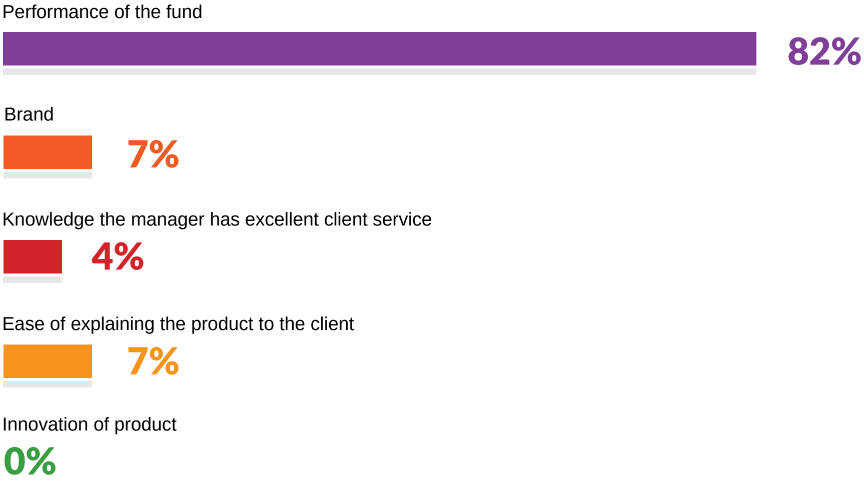
"We are agnostic as to who creates a fund, and look at ourselves as putting all the funds in competition [with each other]. We are an independent buyer and like to take best of breed."

The trend towards lower-priced index products via ETFs presents a big challenge, especially to active managers.

"They need to be able to extract alpha from markets which correlate closely with each other," says Ashley Dale, chief marketing officer of Mirae Asset Global Investments. "So their dilemma is how to differentiate the product-set while also trying to keep nimble and benchmark-agnostic."

For those managers which claim to be benchmark-agnostic, it they genuinely want to do this and still run concentrated portfolios, Dale believes they need to do it in a way which offers stability and comfort to sophisticated wealth management institutions that their money will be safe.

WHEN TALKING TO A CLIENT ABOUT AN ASSET CLASS OR FUND, WHAT'S MOST IMPORTANT TO YOU AS AN RM?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

"We are agnostic as to who creates a fund, and look at ourselves as putting all the funds in competition."

STEVE KNABL
Swiss Asia


MIRAE ASSET
WE LIVE OUR INVESTMENTS
With over $70 billion of assets under management and 100 investment professionals in seven countries throughout Asia, the Mirae Asset Global Investments team are living the consumer experience.
This unique insight gives us a distinctive edge in managing our investments.
MIRAE ASSET
Global Investments
miraeasset.com
EQUITY FUNDS FIXED INCOME FUNDS ETFS ALTERNATIVE INVESTMENTS

"Acquiring the right talent is of paramount importance to supporting client and asset acquisition."

AMY CHO
Pictet Asset Management

"We are focused on improving upon what we believe we are good at already – long-only equities," explains Dale. "We are doing this by updating our investment processes, educating our teams, looking at ways to improve our existing offerings, and developing new products for the future."

In addition, with investors increasingly differentiating between Asia and emerging markets as an asset class, he adds that having a solid Asian offering and heritage stands the firm in good stead.

"We continue to try to position ourselves as a go-to Asian manager form a product perspective," he explains.

"To build a brand, we are working hard on PR and media, especially in Europe and the Middle East. And we are complementing this by having a sales force of seven in London and one in the Middle East. This gives more comfort to distributors that they are investing with a firm which is committed."

"Pressure on fees could impact the asset management industry in Asia, particularly for the smaller players."

Gerard Lee, chief executive officer of Lion Global Investors, says that in a very low interest rate environment, fixed income no longer can meet the cash flow needs of investors. Therefore, the challenge is for asset management companies to produce products which can deliver the income/cash flow needs of investors. Equities is the likely asset to deliver this cash flow requirement, plus availing investors of their liquidity needs. However, given the innate volatility of equities, asset managers need to produce low volatility income-generating equity funds, adds Lee.

At the same time, acquiring and retaining talent is an increasingly important, yet challenging, aspect for asset managers to getting their offering right. "We believe that acquiring the right talent is of paramount importance to supporting client and asset acquisition," says Cho. "Equally, if not more important, however, is to maintain the quality of and further develop talent to provide outstanding and consistently good services to our clients."

In particular, as investors' sophistication increases and clients continue to seek greater transparency and advice from

"The challenge is for asset management companies to produce products which can deliver the income/cash flow needs of investors."

GERARD LEE
Lion Global Investors

"We continue to try to position ourselves as a go-to Asian manager form a product perspective."

ASHLEY DALE
Mirae Asset Global Investments

"The regulators are looking closely at the most prominent asset managers and are concerned about those products with anything to do with market liquidity."

their product providers, an asset manager's ability to recruit, retain and develop talent will provide a critical competitive advantage.

REGULATION AND EDUCATION

Indeed, according to Young, smaller, more nimble fund management companies might have an advantage amid increasing regulation.

"We come under tremendous scrutiny now and are almost like the banks."

"The regulators are now looking very closely at the most prominent asset managers and [are concerned] about those products with anything to do with [market] liquidity."

The requirements relating to KYC, AML, FATCA and other obligations are becoming intense, says Trevor Chudleigh, head of business development at Fullerton Fund Management in Singapore.

"For fund managers of a more modest size, and where business development tends to be the first line of defence, this is very time-consuming," he explains.

And with the situation getting ever-more challenging, he says he is starting to see some providers exploring technology solutions to offer smaller asset managers a way to do that efficiently and cost effectively.

Pressure on fees could impact the industry, particularly for smaller players, Young notes, as there is growing pressure to abandon broking commission-led models.

Returning to the topic of education, Siau notes that ASEAN's demographics mean it will be a testing ground for online and social media strategies.

"In eight of the 10 countries of ASEAN, 40% of the workforce are below 30. There needs to be more focus on engaging this group of investors," he says.

Meanwhile, Grundlingh stresses the need to adopt a local market-based approach. "You have to plan for the longer term and be patient," he says.

"And you also need to have relatively deep pockets. I have no doubt that somewhere like Indonesia will be a massive market in 10 years' time." ■

"The requirements relating to KYC, AML, FATCA and other obligations are becoming intense."

TREVOR CHUDLEIGH
Fullerton Fund Management

Regulation and thinning margins up ante for fund managers in Asia

Global fund managers operating in Asia need to have a targeted client segment strategy if they are to thrive amid increasing regulation and intensifying competition, believes Lennie Lim at Legg Mason Global Asset Management.

Wealth managers and private banks increasingly want fund management companies to meet their needs across different regulatory and competitive landscapes in Asia. This is putting firms with size and a global footprint at an advantage, according to Lennie Lim, head of Asia for Legg Mason Global Asset Management.

"This has played to the strengths of those global firms in Asia that are very transparent," notes Lim.

"We are able to engage with several private banks which are global players where a lot of the due diligence is either being done by head offices or is centred on a different part of the world."

These distributors need quick access to investment products from multiple locations because it is increasingly, and in some cases prohibitively, expensive to conduct due diligence on a market-by-market basis.

Legg Mason has identified certain firms as global clients and set up a dedicated team to serve their needs.

"To have a successful partnership with a global private bank you need to push a product onto their global platform," Lim explains. "Once it is on the platform you need to pull the product into a specific jurisdiction and make sure their relationship managers [in that jurisdiction] understand it and are able to apply it to their clients' needs."

This requires a lot of heavy lifting on the part of a fund manager, he notes, as bankers and gatekeepers need to have confidence that they will receive constant support and timely updates.

It is even more important in Asia where there are a variety of different regulations, cultures and languages.

"Even if countries use one form of Chinese there are nuances within the local language that we need to be familiar with. All our presentation materials must be customised to our local clients on the ground," says Lim.

LENNIE LIM
Legg Mason

This is not something every fund manager can achieve. Some players have come to Asia and marketed their products to a few institutions, but when they went beyond those clients found they required a huge infrastructure to support their businesses.

"There are regulations coming out every day, either making it a bit harder [to sell funds] or meaning you have to spell out things in more detail," Lim says.

"It is a complex, dynamic industry with a lot of competitors, and there is constant pressure on fee margins, so it is not easy to create a sustainable asset management business."

In this environment, he believes, it is important for fund managers to know which segment of the market they are best-suited to. In some cases, fund houses are competing with the internal asset management companies of the banks they are targeting.

"There are a lot of players coming into the market, which is increasing competition, but those that have been here for longer and built relationships give distributors confidence," says Lim.

MEETING NEEDS

More specifically, Lim believes there are substantial opportunities for fund managers in Asia amid the region's rising incomes and concern about rapidly-ageing populations.

"We have always been excited by Asia as we have seen the tremendous amount of wealth growth driven by a high savings rate and GDP," he says.

"There is concern about the fast-aging [population] so there is a strong need while tremendous amounts of wealth are being generated to do something about retirement savings.

"Governments are trying to make sure there are building blocks in place."

The number of people in Asia aware of how financial products can serve them in retirement is growing, with government initiatives, media coverage and the emergence of independent financial advisers publicising the issue.

Using technology to choose investments is a related trend, Lim notes.

"The younger generation has a great interaction with technology. The chances are, if you are going to buy something, you will have done your research either via Google or other websites and social media," he says.

"We recognise that when it comes to investing and retirement planning this trend is only going to increase."

As their awareness increases, Asian clients and advisers are also asking increasingly technical questions, and it is incumbent upon fund managers active in the region to answer these, according to Lim.

"There is a strong need while tremendous amounts of wealth are being generated to do something about retirement savings."

Currently, Legg Mason's flexible fixed-income, US and European portfolios are most popular, he adds.

However, he believes geographical diversification is the most pressing requirement for investors in the current economic environment.

"In the past, when you were planning for retirement you would think that you needed to have a conservative asset allocation," he explains.

"But in the last 10 years, perhaps due to quantitative easing in the US or Europe, people have started noticing their local currencies depreciate substantially, so if you are a retiree holding local deposits you will lose purchasing power."

The current low interest rate environment is another reason for Asian investors to look beyond local deposits. Legg Mason's house view is that this will persist for some time.

The need for diversification is important to Asian investors' long-term needs, and Lim notes they will need to be patient to ride out the inevitable volatility of some equity markets.

"The right financial advice at the current stage, when [Asian] investors are generating substantial wealth, will go a long way to meeting their investment goals," he adds.

"[We are] trying to understand both the short-term and long-term needs of clients in Asia and aim to find the right answers for them, bearing in mind our firm's strengths in various areas." ■

Decoding sentiment investment

"We live in a world where there is more and more information, and less and less meaning." The observation by Jean Baudrillard, the French sociologist and philosopher, is well-adapted to the financial news industry today, says Thomson Reuters.

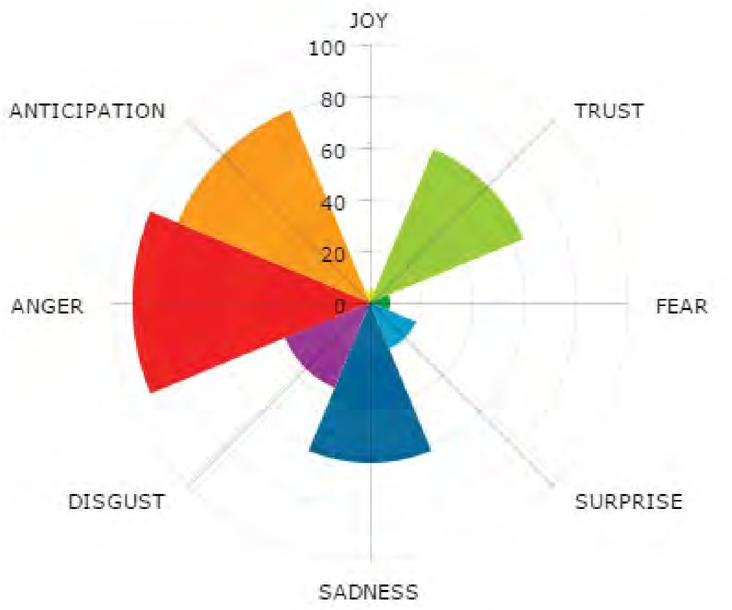
Information streams in from all over the world. It is delivered to investors in many different formats and at an increasing speed.

This flow of data constantly updates an investor's understanding and knowledge of the financial markets and influences investor sentiment.

Traders and other market participants are able to digest this information rapidly, resulting in revisions to and rebalancing of their asset or risk positions accordingly. In increasingly competitive markets, investors and traders need to select and analyse the relevant news from the vast amounts available to them in order to make "good" and timely decisions.

However, the volume of news is growing so rapidly that the ability for a human being to process and extract the information that is relevant to them from all that is available has reached its limits.

EMOTIONAL POLAR MAP ON CRUDE OIL (NEWS + SOCIAL MEDIA SOURCES)



Source: Amareos

It's like a deluge of data that represents our collective knowledge, thoughts, and feelings about the world.

The recent development of social media has exacerbated two issues on how people process financial news.

SENTIMENT DASHBOARD ON THE S&P 500

Source: Amareos

Firstly, the amount of information has exploded so extracting meaning is even more challenging. Secondly, the very low latency of information available on Twitter®, for instance, is at the expense of accuracy and reliability.

So today the question is, how do investors and other market participants extract meaning and make good and timely decisions from this huge amount of information that we call Big Data? How can we distinguish the signal from the noise?

FINDING VALUE IN THE DATA

As computational capacity grows, technologies that can effectively aggregate and categorise large volumes of data have emerged.

Thomson Reuters, the world's leading source of intelligent information for businesses and professionals, was a pioneer in the field of news analytics when the company launched one of the first machine-readable news platforms.

Thomson Reuters News Analytics (TRNA) uses sophisticated natural language processing (NLP) techniques to convert qualitative information into quantitative scores.

It achieves this by transforming unstructured, real-time news from Reuters News and third-party services into a Machine Readable feed. Users can then quickly analyse thousands of news stories in less time than it takes to read a single headline.

This automated news analysis can form a key component to drive algorithmic trading desks' strategies and execution, and the traders who use this technology can shorten the time it takes them to react to breaking stories, such as earnings surprises on a single stock that they can exploit in the blink of an eye.

Fund managers with different interests, skills, and mandates will naturally focus on different types of information and investment strategies. Those strategies will vary in their information needs, and therefore in their sensitivity to latency.

As the race to get information faster than anyone else is reaching its limitations, the next frontier is not speed, but is actually opening up the analysis for the mainstream.

One of the players in this field is Amareos, a Hong Kong-based fintech company that is developing, in partnership with Thomson Reuters, a product suite designed to take news analytics out of the quant funds world and into the mainstream.

For instance, Amareos Web portal lets investors gauge sentiment across news and social media through simple, but powerful dashboards and indicators. "Our objective behind our Web portal is to democratise news analytics," says Jerome Favresse, the founder of Amareos. "We believe news analytics will change the way that investors see global financial markets."

Amareos partners describe their product suite as a simple, but powerful implementation of the three levels of news analytics.

The first level of analytics extracts a sentiment score (positive, negative or neutral). This is basic, but good enough to get an indication of sentiment in some circumstances.

The second level performs more complex analytics and also includes the vast and unstructured world of social media, which creates a much bigger challenge. Anyone can post to social media and there is no guarantee that any of it is true or even new. Indeed, much of it is not.

To make matters worse, the information is wrapped in a secret code of acronyms, misspellings, bad grammar, emoticons, and tones that is difficult even for some humans to understand.

The third level, which may be the most complex one, is to extract emotional polarities out of news.

"We're not exploiting only one dimension, sentiment, but we're going into another layer: emotions," says Favresse.

"This is powerful because financial markets are driven by human beings who often make decisions based on emotions, so being able to extract emotions out of a text is the ultimate solution," he adds.

Amareos' platform is also powered by the data created by Richard L. Peterson, a behavioral finance expert, psychiatrist, and chief executive officer of MarketPsych Data.

Thomson Reuters MarketPsych Indices (TRMI) is based on Peterson's work, which started over 10 years ago and includes thousands of news and social media sources dating back to 1998.

First launched in 2012, Thomson Reuters developed its MarketPsych Indices in conjunction with MarketPsych LLC, a leading consultancy specialising in quantitative behavioural economics. The indices provide easy-to-interpret, real-time linguistic and psychological analysis of news and social media, converting qualitative indicators – such as fear, performance forecasts, and trust in management – into quantitative, actionable insight.

The obvious potential of this rich data inspired Amareos partners to build a product that transforms these Thomson Reuters MarketPsych Indices into a tool that is not just for quant traders or algos.

Anyone can make sense of the sentiment data and use it.

An insurer, for example, could use it to monitor risk perceptions, for example, or a fundamental investor could test investment hypotheses.

Using this type of analysis turns the market cycle into an emotional journey through initial optimism and excitement to euphoria at the peak, and then all the way down to despondency at the market bottom. Being able to determine the current psychological state of the market offers a new form of insight for investors and many other participants in the financial markets.

This type of approach quantifies previously unfathomable market sentiment, such as US Federal Reserve chairman Alan Greenspan's famous "irrational exuberance" comment at the start of the dotcom bubble.

He was right, but his timing missed the peak by more than three years.

Amareos builds tools with the ability to see these changes in market sentiment before they are reflected in prices.

Favresse can pull up examples from the past year showing how the software identified swings in mood ahead of the Swiss central bank's decision to re-peg to the euro, the collapse in the price of oil, and even the Occupy Central protests in Hong Kong.

Depending on how it is being used, the output could be a simple indication on infinite subjects to a multi-dimensional sentiment on major topics.

So far this type of analysis is limited to the English-speaking Internet, but it could one day incorporate other languages as well, subject to linguists categorising the idiosyncrasies of usage, grammar, and syntax.

For now, English still comprises a huge proportion of news content posted to the Internet each day and provides more than enough raw data to demystify the drivers of global asset prices.

Products such as Thomson Reuters Machine Readable News product suite and Amareos Web portal are bringing that insight to a wider audience. ■

More information on Thomson Reuters MarketPsych Indices (TRMI) via this link: https://www.marketpsych.com/data/

Bringing a buy-side attitude to HNW investors

Many private banks continue to prioritise making transaction fees when offering investment advice. James Lee, head of Investment and Wealth Solutions at EFG International, explains how his organisation aims to prioritise the client's needs instead.

James Lee passionately believes HNW investors need to appreciate the difference between buy-side and sell-side strategies in asset management.

"The sell-side approach is focused on products, whereas the buy-side is focused on solutions," the head of EFG Investment and Wealth Solutions (EFGIWS) summarises.

His company focuses heavily on the latter. This is one of the main reasons why EFG International consolidated the asset management and wealth solutions divisions of the business under Lee; to create a holistic, solutions-led platform.

"When you adopt a buy-side approach you should consider different ways to meet clients' needs over the longer term, as opposed to merely copying sell-side organisations," says Lee. "This takes a more patient approach, but it is hopefully more rewarding for the client, and builds trust."

The firm has had a buy-side focus ever since it was established in 2009. It was this philosophy that also underpinned the asset management division being separated from EFG Bank at the time of its creation, with it becoming independently-owned by EFG International, the group holding company.

TRULY OPEN

The concept of open architecture has been misused by many private banks in recent years. However, Lee argues that this is not the case at EFG, given that the private bank's client relationship officers (CROs) are not incentivised to sell its asset management products ahead of others.

"EFG CROs have no compulsion to buy our products," says Lee. "The banker can just as easily propose a product from another bank. However, they have ready access to our products and fund managers, and can discuss aspects of the products with them."

JAMES LEE
EFG Investment & Wealth Solutions

The approach means EFG's private bankers can genuinely choose products they think best suit the client's needs, even if they aren't created by the EFG group. Meanwhile the asset management division has no choice but to be as efficient and as effective as possible, because otherwise its own CROs won't use its products. It's a model that puts the client's interests to the fore, and discourages complacency.

"Because EFG International is our shareholder, our first priority is to make sure the asset management platform works very efficiently and well on the discretionary and nondiscretionary basis for the EFG bankers," says Lee.

"Our next priority is to promote our fund management expertise to external independent asset managers," he adds. "This is a new development, because we are finally past the incubation stage on several of our funds."

TRACK RECORD

The asset management division has been operating several actively-managed, alpha-focused funds for three or more years now. In doing so, it has built a track record of performance that it can use to market the funds to both its own private bankers and external clients as well as to investors.

Lee says the organisation has deliberately structured itself so that it can support open architecture.

"We are making big efforts to split the asset management business away from only servicing the bank. EFG's private banking businesses are our biggest customers, our preferred customers, but we have to compete with other fund providers for their demand."

As part of this process, EFG has another fund platform called New Capital Funds, which is designed to sell its products to external private banks, external asset managers and financial advisers. Lee says it is now in a position to do so because the organisation has several funds boasting some compelling three-year track record performances.

"We have a range of funds that possess three years or more of good track records and have over USD100 million in assets," he says. "So we are now hiring sales people and promoting these funds to external asset managers and small pension funds, and getting them to be added to bank platforms. It's the next stage of our development."

In Asia, the company is seeking fund registration for Hong Kong distribution, and it will then aim to sell them from the territory and also potentially use passporting schemes to sell them beyond it. However, Lee says it remains early days. "Our Asia plans have a long time horizon," he notes.

APPROVALS PROCESS

While EFGIWS is keen to sell its products to more external investors, it will continue offering internal HNW clients products that best suit their needs.

A key part of this process is its intensive research effort. In essence, the division maintains an exhaustive list of the securities and products that EFG bankers can use to develop solutions.

"Since 2009 we have developed a centralised list of approved funds, stocks and bonds and other financial instruments, and it is our responsibility to ensure that the list is kept up to date," says Lee.

The list is for internal consumption, but its purpose is to ensure EFG's private bankers only offer financial instruments that have already received appropriate due diligence from the asset management division.

This does not, however, absolve the CROs of all investment responsibility when it comes to offering product suggestions to their clients.

"EFG CROs have no compulsion to buy our products. The banker can easily propose a product from another bank. However, they have ready access to our products."

"It is the responsibility of the banker to make sure he understands the customer's requirements and that the product advice he gives is underpinned by the products we have," says Lee.

There is room for flexibility when it comes to the list. For example, regional chief executives and teams can request to sell funds or instruments not included on the list. However, these additional instruments need to be researched and/or vetted by the asset management team.

TAILORED SOLUTIONS

The asset management division is also focusing on an alpha-driven, boutique approach, in part to differentiate itself away from the strategic approach of larger fund players.

"The big fund houses often produce a product a week in order to sell to whatever the new fad is, and when the product cannot be sold any more it is taken off the shelf," says Lee. "Whereas with asset management for the HNW business, you need to have products that can be single- or multi-asset, that possess the longevity to meet the client's needs and will grow over time."

Part of this flexibility has been a need to consider products that will meet tomorrow's investor needs. Lee notes the company created a portfolio solution for the Asia market, to help fill a perceived gap in strong offerings.

"We developed this product a few years ago to build a good track record, which we now have. This means we are now in a place to go to independent asset managers and show them years of good performance on a product that is large enough to meet the needs of the Asian ageing population market."

Additionally, EFGIWS is willing to be flexible to meet the needs of particular HNW individuals. One example relates to the Wealthy Nations Bond Fund, a fixed income product that EFG created, which essentially invests into ratings -constrained sovereign and corporate borrowers in countries that have healthy balance sheets and are highly likely to pay their outstanding debts.

Lee recounts that one HNW client liked the concept but didn't want to have any exposure to a particular country included in the portfolio for personal reasons. So Lee's team created a tailored portfolio that followed the initial goals, while excluding this country's debt.

"If you are a really large company you might not do this, because the USD100 million the client was interested in investing might not be enough," he says. "But for us it is important."

Lee's desire is for HNW clients to buy the products offered by EFG Investment and Wealth Solutions, the platform that combines EFG Asset Management and EFG Wealth Solutions, because they are well-researched, have a strong investment rationale, and meet their investment and wealth planning needs, not because private bankers are incentivised to meet sales targets.

As global regulators move to clamp down on retrocession, this strategy should create more loyal clients. ■

"With asset management for the HNW business, you need to have products that can be single- or multi-asset, that possess the longevity to meet the client's needs and will grow over time."

Offering a product toolkit

Demonstrating EFG's commitment to a comprehensive integrated solutions platform, EFG Asset Management and its Wealth Solutions business were consolidated under chief executive officer James Lee in 2013, and insurance products were incorporated subsequently.

"The objective is to provide a coordinated approach to clients' key planning needs, including long-term wealth structuring, to facilitate properly considered succession and shorter-term lifestyle planning," says Lee.

He is committed to the concept of an integrated solutions offering, bringing together a range of products including trusts, funds and insurance as constituents of a wealth planning solutions toolbox.

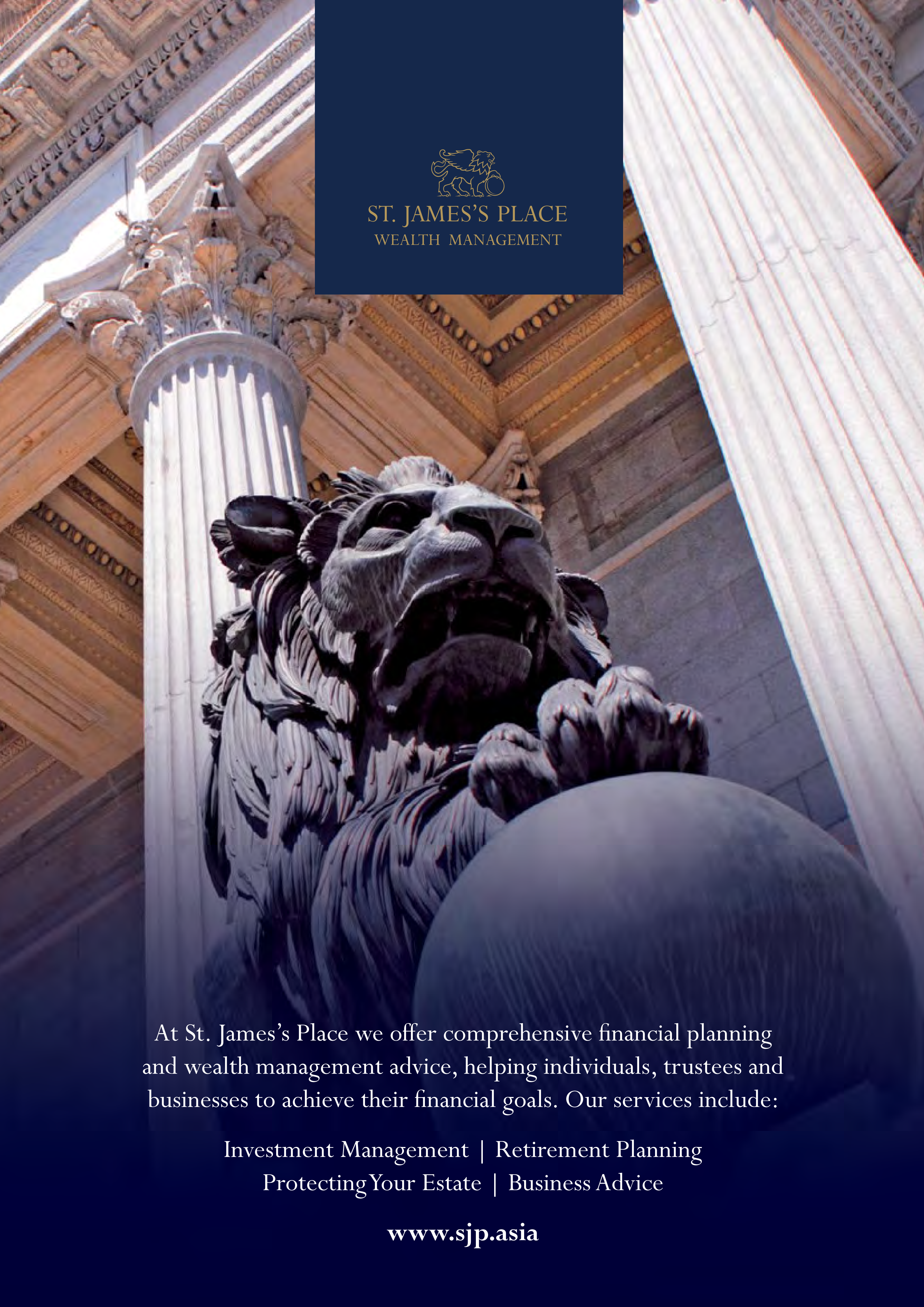
The desire of private banks to sell insurance products has been rising, particularly for selling universal health insurance policies. This has mostly been because the margins on these products are substantial.

Lee says EFG will not emphasise certain products just because they pay more than others.

"Insurance is just a tool that a wealth planner can use to solve a customer problem," he says.

"However, if you give him a target to sell a certain number of universal policies it is not going to be a tool to be considered, but a product that has to be sold.

"So since insurance product distribution has come under me, it is going into the toolbox of products we can offer to meet the client's needs, not ours."


ST. JAMES'S PLACE
WEALTH MANAGEMENT
At St. James's Place we offer comprehensive financial planning and wealth management advice, helping individuals, trustees and businesses to achieve their financial goals. Our services include:
Investment Management | Retirement Planning
Protecting Your Estate | Business Advice
www.sjp.asia

Channeling HNW interest in private debt

Those pools of capital held by wealthy individuals which are seeking alternative investments are increasingly finding a home via private debt deals. This bodes well for platforms which can put the right parties and deals together, says Andrew Veale of Asiadealbox.com.

Private debt deals play to the preferences, experience and familiarity of HNW entrepreneurs in Asia perhaps more than in any other part of the world.

Indeed, growth of this asset class in general has been one of the standout features of the global alternatives industry in recent years.

And it seems HNW and UHNW individuals in Asia are eyeing the potential benefits from allocating capital to private debt opportunities, such as the prospect of strong risk-adjusted returns in a low interest rate environment.

"More and more people are allocating a large share of their wealth to direct lending," says Andrew Veale, managing director of Asiadealbox.com. "Access to pools of capital in this way are also becoming more popular given it is now tougher for small and medium-sized enterprises (SMEs) to go down the traditional route of a bank loan."

Insights from Preqin, an alternative assets data and research firm, suggest that the global private debt fundraising market is at an all-time high. As of January 2015, there were 193 private debt funds on the road targeting aggregate capital commitments of over USD108 billion.

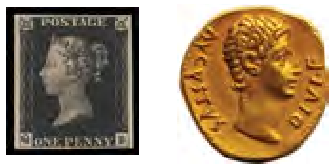
These pools are very different, he explains. They range from wealthy individuals and syndicates of HNW investors, to small, medium and large family offices, and small, medium and multi-billion dollar investment firms.

TARGETED APPROACH

Veale's company is one specifically set up to play a pivotal role in the private debt space – essentially as a middle man – as it gains traction in Asia as a new disruptor in the investment world. "We identify and originate businesses looking for capital and connect them to pools of capital which are specific to that sector," he explains.

ANDREW VEALE
Asiadealbox.com

SMEs have been forced since 2008 into finding alternative routes to raise expansion capital. Traditional lenders, for example, have retreated, due to regula-



POSTAGE
ONE PENNY

tory and capital constraints. And the larger Asian banks have gradually been raising threshold deal sizes and counterparty criteria.

At the same time, the universe of nimble, public and private pools of capital which are looking for Asian opportunities has continued to quietly grow, effectively replacing the global banks as key lenders.

Two-year old Asiadealbox.com aims to fill the subsequent gap via a secure, privately accessed online platform.

The firm taps into its network throughout its offices in Singapore, Bangkok, Jakarta and Manila to originate and share deals.

"Born in June 2013 as an extension to an existing real network of principal finance groups, investors, funds, business owners and intermediaries across Asia, we aim to connect capital more efficiently and timely to where it is most needed," explains Veale.

So far the concept seems to be finding favour. The number of registered investors on the platform, for instance, is growing far quicker than the number of deals being originated.

Yet that is increasing too. "In 2014, we averaged one successfully-closed deal a quarter. This year, we are on track to double that," confirms Veale.

FINDING THE RIGHT MATCH

Despite the interest in private debt as an emerging asset class, a key challenge for Veale and his team is originating quality transactions.

Two-thirds of the proposed deals that come across his desk each week don't even justify initial investigation. "Because the wall of private money is ever greater, there is more competition between the pools of capital looking for deals."

Using its experience in understanding what collateral is viable, Asiadealbox.com assists in all negotiations between parties throughout the due diligence process, right through to term-sheet and closure.

"Key to any transaction and not wasting time is the collateral," says Veale, "in terms of its jurisdiction, how transferable it is, and the real value of it."

The first round of vetting involves meeting the borrower face-to-face for Veale and his colleagues to do their own due diligence, including looking at the supporting documentation.

"If we think the deal will receive attention, we have a formal engagement with the borrower, by whom we get paid," he explains. "We negotiate a transaction fee based on the amount of capital we plan to raise."

Viability of a deal will depend on various factors. For example, if there are tangible assets in a jurisdiction where foreign ownership is restricted or complex, such as India, this narrows the pools of capital which will show interest.

On the flipside, where foreign ownership rules change to ease access, as happened as of July 2015 in Vietnam, Asiadealbox.com isn't adverse to reviewing earlier deals which might have been difficult to sell to investors before.

Attracting interest also depends on what the specific pools of capital are looking for. "Some are sector agnostic, while others look at specific opportunities," says Veale, adding that he has seen a lot of real estate and developer-led deals come to market more recently.

Leading a team of ex-bankers rather than techies, Veale is quick to disassociate the firm from any likeness with the crowd-funding or peer-to-peer lending firms.

"Our approach is about lending directly to businesses with secured collateral," he emphasises. "We are the only firm focusing on that in Asia." ■

How it works

To use the Asiadealbox.com platform, business owners and intermediaries register and post headline bullet points of their deals.

This includes details such as country, sector, capital required, purpose of the fund-raising, tenor, and collateral type.

They are not obligated to reveal any further information about their deal publicly until Asiadealbox.com matches and introduces interested parties.

For investors, they access the platform via a secure login at any time, and they scroll through posted deals to identify those that match their investment criteria.

If they want to know more, Asiadealbox.com will contact and introduce the deal, business owner and, where appropriate, arrange for direct meetings or conference call.

How regulation can concentrate the minds of financial advisers

Asian markets are ripe for wealth management firms that see regulation as an opportunity, rather than an annoyance. Those who do will be able to equip their advisers to best meet clients' needs, believes Nigel Preston of St. James's Place Wealth Management.

Rather than a burden, regulation should be seen as an opportunity for financial advisers to focus on clients' needs, says Nigel Preston, head of business, Singapore, at St. James's Place Wealth Management (SJP).

It has certainly been that way in the UK, SJP's home market, where the regulatory requirements for financial advisers are much more stringent than they are in Asia.

In the UK, Preston comments, financial advisers are now becoming increasingly professional as they have to satisfy qualification and regulatory requirements set down by the country's regulator, the Financial Conduct Authority (FCA).

The requirements include exams on regulation and ethics as well as on how to give advice in areas like investment, retirement planning, and protection. Even with intense education and support it can take up to two years to meet all these requirements before qualifying and becoming authorised.

The SJP Academy, SJP's training programme for new entrants to the wealth management industry, in London, Birmingham and Manchester, is part of the firm's efforts to educate and develop the financial advisers of tomorrow. This is something it hopes to bring to the Asian markets in which it now operates.

NIGEL PRESTON
St. James's Place

CAREER OPPORTUNITY

SJP, a FTSE 100-listed wealth manager with AUM of GBP55 billion (USD88 billion) and over 2,900 financial advisers, which it calls 'Partners', entered the region in 2014 with the acquisition of The Henley Group.

"The Academy strategy is to identify people seeking a change in career. Some of the entrants have a financial background but many have already had a successful career elsewhere and are seeking to develop a new career in wealth management. Previous entrants to the Academy have included

professional sports people, ex-military and legal professionals," explains Preston. "They may be in their mid-30s and 40s and they have characteristics that mean they are well suited to advising people on their financial planning needs."

SJP has supported over 100 people in the UK to start building their own wealth management businesses, he adds, and hopes to encourage some of these partners to eventually work in Asia.

"People may not appreciate that being a financial adviser requires professional qualification akin to accountants or solicitors, but the exams and the continuing professional development (CPD) requirements are now just as demanding."

Although Singapore currently has less stringent requirements for financial advisers, SJP has a track record of embracing increased scrutiny rather than considering it a burden. Preston believes this will enable SJP to offer some of the highest-quality face-to-face advice in the region. To that end it supports its partners in Asia with the option to take UK qualifications and CPD.

"We embrace regulation and see it as a healthy development to ensure we are working with our clients in the right way. We have been willing to make a substantial investment in this," Preston says. "It is about working with Asian regulators in a way we think will make them keen to see a firm like SJP in the marketplace."

A PARTNERSHIP OF TALENT

SJP considers Asia a substantial growth opportunity. "We intend to establish our brand overseas with a reputation for the characteristics we pride ourselves on in the UK," says Preston. "After two years of due diligence we decided that Asia, and the acquisition of Henley, would be a good way for us to do that."

"Our successful business model puts the client at the heart of everything we do," he notes. "We see a similar opportunity in Asia to be successful by employing the same approach."

In terms of the market opportunity, Preston believes SJP's value proposition and the growing number of expats in Asia will stand it in good stead. "It is important to deliver something people associate with value for money. We believe fundamentally that there is meaningful value in having a face-to-face advice brand in Asia, especially Singapore."

"The talented people who get sent from Europe to work here are often being tested before becoming the next partner at a major international firm. Those are the kinds of clients that grow with us and we aim to help to begin their journey of achieving financial security," he adds.

SJP aims to build up a team of only the highest calibre advisers in the region. So far six people have been invited to become partners. "We are selective and aim to have a spirit of partnership based on shared values, integrity and morality, which are at the centre of what we do," he says.

"As a company you must have key differentiators in what you do and aim to define your proposition here with some unique characteristics," he adds. "There can be sameness among advisers and we are confident we can bring freshness to the marketplace."

The firm's partners are supported in building their businesses through a system designed to encourage proactive servicing of clients with partners and clients benefitting from long-term relationships founded on expert face-to-face advice. Succession planning is also important as partners can pass on part or all of their business to another carefully selected partner if they are nearing retirement or seeking to streamline their business.

After 25 years in the industry, Asia also has personal appeal for Preston. "I have met a great group of people who are talented and have the right appetite for growth and development, both personally and as professional wealth managers," he says. "I believe that we will build a proposition across Asia that is recognised for building long term client relationships based on expert face-to-face wealth management advice." ■

"It is important to deliver something people associate with value for money."

additiv
next generation finance

Building the digital future of the financial industry

additiv Asia
100 Cecil Street, #14-01 The Globe
Singapore 069532
+65 8286 2675, www.additiv.sg

Online channel a game changer for Asia's insurance industry

Increasing penetration of online platforms in Asian insurance is inevitable, but will be a complement, rather than a competitor, for traditional channels such as bancassurance and agency.

Insurance specialists in Asian wealth management believe that although an increase in online penetration is inevitable, it will not necessarily disintermediate other distribution channels.

Several cite the recent, USD1.2 billion bancassurance deal between Singapore's DBS bank and Manulife as an example of the resilience of this particular channel.

"The traditional life insurance market has become overly complex, difficult to understand and hard to access."

WALTER DE OUDE
Singapore Life

"Although technology will change the behaviour of institutions and clients, tied distribution and bank distribution will not be pushed out of the way," says Walter de Oude, founder and chief executive officer (CEO) at Singapore Life. "Online will not displace other channels but [will] grow the industry."

Alfred Chia, CEO at SingCapital, agrees that there is space for all three distribution channels. He expects the industry to move towards the integration of digital and face-to-face servicing.

"The industry is already moving back to a vertically-integrated model, with the adviser and insurer working together," he says. "Digital is going to play a key role and evolve how we work but the business will still be very much about partnerships with people."

IFAs and banks themselves could take advantage of online channels to provide insurance advice, according to Damiaan Jacobovits de Szeged, member of the Asia executive committee and CEO at Transamerica Life Bermuda Asia. "Most banks, agents and advisers are now working very hard towards creating an online presence," he said. "Banking will be a dominant force for distribution but most customers will be coming to the banks online."

assentis
Perfecting Customer Communication

Are you digital?

We are.
We enable you to be, too.

- **Customer communication platform**
- **Client reporting solution**
- **Credit application solution**
- **Presentation solution**

Globally more than 100 renowned banks have included us in their digitization strategy and all of them continue to use our solutions today.
They are designed to help your customers receive relevant, timely information anytime, anywhere, and on any device of their choice. It is all about customer centricity.
We help you easily transform your traditional documents for the digital world and be responsive to your customers. We seamlessly integrate into your existing architectural landscape enabling highly industrialized processes.
Our solutions focus on increasing the efficiency of your front, mid and back office.
We would be happy to share any of our case studies that exhibit the journey with one of our many customers from strategy to implementation.

Talk to our specialist.

Assentis Technologies Pte Ltd.
10 Anson Road, International Plaza #34–16, 079903 Singapore, Singapore
Phone: +65 983 115 47, sales-apac@assentis.com, www.assentis.com

> **"Digital is going to play a key role and evolve how we work but it will still be very much about partnerships with people."**
>
> **ALFRED CHIA**
> SingCapital

"Many of the products [we offer] are insurance based, ranging from basic term policies to things like open-architecture portfolio bonds. The concept of insurance can mean many things to many people," he explains.

REGULATION

On regulation, Singapore's monetary authority gets praise from some in the industry for adopting a "wait-and-see approach", which allows the insurance industry to evolve gradually, rather than constantly having to readjust.

PRODUCT

Meanwhile, on the product front, de Oude says there is a need in the market for simpler propositions.

"We have been built on the view that the traditional life insurance market has become overly complex, difficult to understand and hard to access," he says.

"There is an opportunity for us to take advantage by providing simpler, more efficient, needs-focused products."

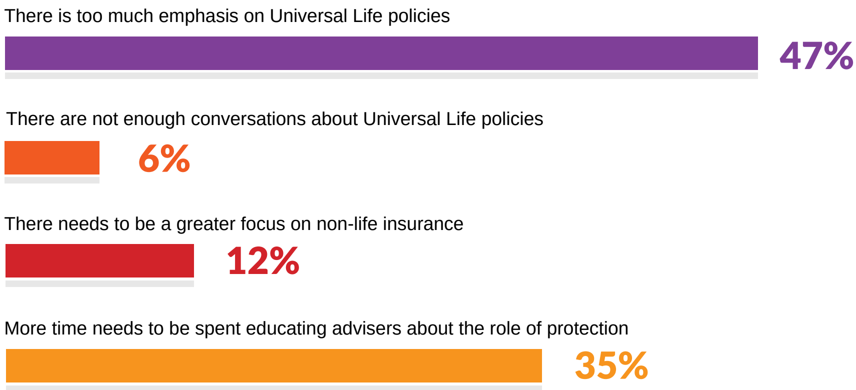
For an institution like Friends Provident International, the key to success is creating products to cater to an increasingly international client base.

"It is about making it easier for customers to work with us," says South-east Asia general manager, Chris Gill.

"This is about creating more bespoke solutions as we have clients from all over the world who are moving from country to country."

Kelso Beggs, executive director at AAM Advisory, notes that in his firm's financial advisory business, there is demand for a broader range of products.

WITH DEMAND FOR A BROADER, NEEDS-BASED CONVERSATION WITH CLIENTS ABOUT PROTECTION, WHICH OF THESE STATEMENTS IS MOST ACCURATE?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

> **"Universal life does meet some needs of the client, but there can also be high levels of protection through term-of-life products."**
>
> **CHRIS GILL**
> Friends Provident International

ICOS

Automated Onboarding

- Client Onboarding & Account Data Management
- Seamless onboarding from capturing to client welcome package
- Structured and guided for every type of product
- Ensured regulatory compliance: KYC, FATCA, MiFID, suitability, risk profiles
- Multijurisdiction, multichannel, and multilanguage

Switzerland | Singapore | UAE | Germany | Austria

IMTF Banking Software Pte. Ltd. | 10 Anson road, #34-16 International Plaza | Singapore 079903 | Phone: +65 6735 6150

Practitioners note, however, that Asian regulators are concerned about the quality of advice that is given to clients. Some believe this could be well-met by technology platforms, with one observer citing the concept of "customer-positive disruption".

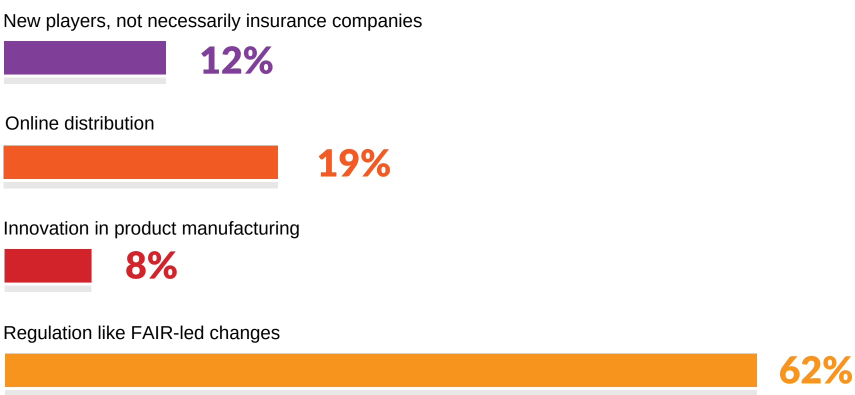
According to a Hubbis sentiment poll at its flagship Singapore event in May, insurers could best have a broad, needs-based conversation with clients by deemphasising universal life policies. Some 47% of respondents chose this option, compared to 35% who voted for more time spent with advisers, and 12% choosing a greater focus on non-life insurance.

Gill agrees with that result. "Universal life does meet some needs of the client, but there can also be high levels of protection through term-of-life products," he says. "There are many different questions that need to be explored rather than just jumping to universal life for HNW individuals."

"Banking will be a dominant force for distribution but most customers will come to the banks online."

DAMIAAN JACOBOVITS DE SZEGED
Transamerica Life Bermuda Asia

WHERE WILL DISRUPTION MOST LIKELY COME FROM WITH INSURANCE?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

"Many of the products we offer are insurance based, ranging from basic term policies to things like open-architecture portfolio bonds."

KELSO BEGGS
AAM Advisory

Another benefit of good regulation, according to Beggs, is that it adds solidity to the reputation of the insurance industry, helping it to retain existing talent and attract new blood.

"Regulation has caused advisers to realise they need a more permanent home," he explains.

"And those entering the industry are starting to become more career minded so should stay for several years when they used to dip in and out [of the industry]," adds Beggs. ■

Creating a more HNW insurance proposition

Customer choice and a more targeted, educated salesforce are critical components of ensuring that insurance products can meet the needs of Asia's HNW individuals, says Steve Hickman of Old Mutual International.

Creating more product choice and getting the sales process right are vital ingredients for building a viable long-term insurance business targeting HNW individuals in Asia.

Yet neither can come quickly. "Having been in Asia for 12 years, the growth opportunity is large, but making a footprint and building the value proposition that can win business is a complicated process," says Steve Hickman, in his capacity as global head of HNW sales at Old Mutual International.

Having worked at AIG and HSBC in Asia previously, Hickman, who is also head of South-east Asia at Old Mutual, is well-placed to judge the steps needed.

Essentially, he puts it down to giving customers what they want and delivering it in a way that is in their best interests. "More competition is always a good thing because it keeps the market sharper and ensures better solutions can be created for customers. We will start to see more and more insurance companies provide that in this region."

STEVE HICKMAN
Old Mutual International

"More competition is always a good thing because it keeps the market sharper and ensures better solutions can be created for customers."

VARYING THE OFFERING

As insurance companies old and new eye the landscape in Asia, there is scope for offering a variety of HNW solutions.

Observers might be forgiven for thinking that Universal Life (UL) policies are the only option for these individuals to get the type of protection they are looking for.

Yet Variable Universal Life (VUL) policies – such as the type offered via Old Mutual's Silk Life Plan, just in Singapore for now – provide another way to secure a high death benefit with increased levels of flexibility over currency choice, crediting rates and withdrawals.

"Again, customers like, and deserve, choice," explains Hickman, "although not a dramatic difference, as these policies cover an individual's life, but more in terms of how people pay the premium and what the investment component is invested in."

FULL UNDERSTANDING

Even with greater product choice, the first stage in helping customers to find the right insurance solution is understanding what they need the protection for. "Each product fills different needs," says Hickman.

UL and VUL certainly don't suit every HNW individual.

For example, where somebody has a mortgage and just wants to cover that liability for 10 years, they should just buy term insurance, he says. That would also suit somebody looking for a key-man insurance policy for a company for five years.

However, somebody with a long-term commitment to an employee can buy a UL or VUL policy and structure an executive bonus or a deferred compensation plan, as part of an employee retention programme.

In this case, the cash value is the equity portion of that policy and can be used 10 years later to create a supplemental retirement income stream.

Part of determining what suits which customers is knowing the asset position of the customers, explains Hickman, given that many wealthy Asians are asset rich with limited liquid capital.

Control is perhaps the most important aspect of the decision over what is the most appropriate policy. For example, with the investment aspect of VUL, it gives flexibility to the customer to select the bank with which they want to custodise the assets left from the premium once the charges are taken out.

As a result, says Hickman, they can use an investment platform they are familiar with, and work with their banker to select the fund managers to invest with.

"Customers like, and deserve, choice, although not a dramatic difference, as these policies cover an individual's life, but more in terms of how people pay the premium and what the investment component is invested in."

Another of the drivers behind the greater diversity in the insurance offering for HNW individuals today, is the fact that lending limits could potentially impact the ability of a bank to finance the purchase of a UL plan.

This might be the case, for instance, if the bank has a large exposure to any particular UL carrier, says Hickman. "The more popular a product, there is a greater chance that lending limits are being reached."

Creating more choice

Old Mutual's Silk Life Plan is a VUL product which the firm believes has more depth and range than any product it has launched to date in Asia.

Silk has been designed to compete with traditional UL products and meet the needs of HNW individuals and businesses, standing out due to key factors such as its variability, high death benefit sum assured, and its joint life option.

Such features lend the product an angle that traditional whole-of-life products might not always have.

The main difference between Silk and other products in the market is that once the customer decides what sum assured they are looking for, they have more flexibility around how they pay the premium – either with cash and/or using assets.

"For a lot of HNW clients, it offers them more flexibility to use bankers they trust and work with day-in, day-out."

By contrast, he says, with UL the insurance company maintains custody. They typically invest the assets in a bond portfolio, probably rated AA or AAA, although some might consider equities.

At the same time, customers need to fully understand the upside and downside of each product. "They need to be clear about which one has more volatility, depending on what their investments are," says Hickman.

An important driver for HNW insurance over the last decade has been a need for private banks to bring in fee income during a period of low interest rates, and therefore low spreads on AUM.

Plus, it provides a valuable non-financial income stream for the banks.

These products also offer a relevant solution for clients to meet their protection needs. "Private banks are looking for such alternatives for their customers, to build a fence around their wealth management needs," says Hickman.

There are also developments happening around the world in relation to a shift in mind-sets and regulations around commission payments.

This includes the Retail Distribution Review in the UK, and the focus on Class C products in Hong Kong.

The perspective, again, needs to be from that of the end-customer. "We anticipate that in an ever-tightening regulatory environment, commission levels might well come under review," says Hickman.

THE RIGHT ADVICE

Inevitably, customer suitability is the crux of the issue in relation to the integrity of HNW insurance solutions.

One of the issues to arise in Asia in relation to UL relates to it being sold as an investment product, rather than focusing on the death benefit as the most critical feature.

"This could be a risky proposition as a number of clients take loans to pay premiums," says Hickman. "In the event of rising interest rates, these loans could become more expensive to service, so clients should continue to work with their brokers and bankers to review their policies for sustainability."

He is adamant that he only wants customers to buy his Silk product, for example, if it clearly meets their needs. "We have a rigorous review process in terms of how our products are being sold and who is buying them," he says.

The sales process for Silk shows the firm's thinking in terms of the importance it places on both distributor and end-client education. "Every sales representative who presents our product has to be accredited by taking a written test and doing a role play with senior executives in the firm to just be able to talk about our product," says Hickman.

This requires them to do two training classes of four hours each. Only by doing this can the firm have the comfort it seeks to ensure it is a genuinely needs-based sale. The salespeople also make follow-up calls to customers, in order to make sure they understood what they bought and how it works.

In general, Hickman says he is seeing sophistication levels growing among bankers and brokers in Asia in relation to HNW insurance solutions. Clients are also more savvy, he adds, and are looking for flexible options to meet their insurance needs.

> **"Every sales representative who presents our product has to be accredited by taking a written test and doing a role play with senior executives in the firm to just be able to talk about our product."**

"You have to talk about the long term needs of a customer in terms of income replacement, liquidity, estate planning and business succession planning."

This has been helped more recently by a wider variety of products coming to market, including VUL. The more experienced brokers and bankers in Asia are also increasingly looking for alternative and creative solutions to meet clients' needs, he adds. ■

The keys to unlocking Malaysia's wealth opportunity

Conditions remain ripe for the growth of the country's wealth management industry, but there is still more to be done to enhance product options and advisory models.

The growth of personal assets and a rising mass-affluent population mean all stakeholders in Malaysia's wealth management industry will need to up their games.

There has been substantial progress over the past few years, but the industry is demanding more measures to enable it to compete with regional rivals.

For Carolyn Leng, head of private banking, Malaysia at CIMB, recent regulatory moves to liberalise the country's asset management market should enable wealth managers to better meet clients' needs.

One measure introduced by the Securities Commission allows boutique fund managers, or those with AUM of up to MYR750 million (USD198 million) to establish businesses in Malaysia with paid up capital of MYR500,000 versus the MYR2 million required for a fully-fledged fund manager licence.

"Rather than funds and assets going out the regulator wants to bring in bring in global or regional products."

RAKESH KAUL
Citi

"Regulatory moves to liberalise the country's asset management market should enable wealth managers to better meet their client's needs."

"This will give a tremendous uplift that we very much needed," says Leng.

"Over the years we have been losing out to peers across the border from a

"Over the years we have been losing out to peers across the border from a solutions standpoint."

CAROLYN LENG
CIMB Private Banking

solutions standpoint. If you are just a wealth manager in the preferred [banking] segment this is not so much of an issue, but if you are in a private bank you have to provide solutions.

"We have to search for global products to fulfil asset allocation needs."

Rakesh Kaul, Malaysia country head for retail banking, mortgages and wealth management at Citi, was equally impressed by regulatory developments.

He notes there has been continuous engagement between Malaysian authorities and wealth managers to explore new investment options that might be introduced to the country.

Expanding the range of investment options could boost Malaysia's wealth management industry by encouraging HNW and UHNW individuals to keep their money in the country rather than move it offshore.

"We have stiff competition from Singapore," says Kaul. "Rather than funds and assets going out [the regulator] wants to bring in bring in global or regional products so clients can get access here to products for which they now have to go overseas."

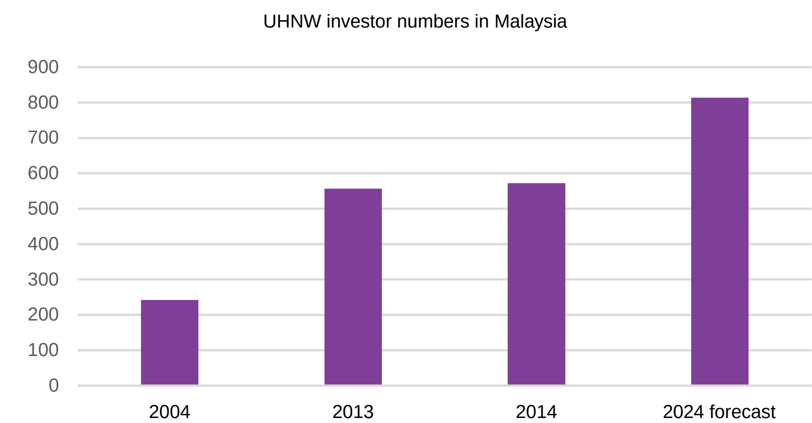
The ASEAN funds passport could also enhance competition in the industry as successful regional players entered the country, Kaul adds. "Very clearly Malaysia has a fantastic opportunity to leverage these changes and bring the best wealth management opportunities to clients."

The industry would not thrive merely on new products, however, as it still struggled with a lack of acceptance of wealth management as a concept among the Malaysian population, believes Pramod Veturi, Standard Chartered Bank's managing director and country head for wealth management.

"The challenge most institutions face is the penetration of wealth manage-

"The ASEAN funds passport could also enhance competition in the industry and bring the best wealth management opportunities to clients."

MALAYSIA'S GROWING WEALTH



Source: Knight Frank Wealth Report 2015

ment solutions within their customer base ranges from [just] 15% to 30%," he says.

"Concepts like regular savings are not big in the market at this stage, [but we still think] they represent a huge opportunity for banks like us."

Wealth managers themselves also have a responsibility to lead growth of the industry, which would include a shift towards moving to an advice - rather than transaction-based model, argues KJ Raju, founder and group chief executive officer of financial planners the Blueprint Group of Companies.

"Concepts like regular savings are not big in the market at this stage, but we still think they represent a huge opportunity for banks like us."

PRAMOD VETURI
Standard Chartered Bank

"It is vital to not only change the basis on which clients' investments are discussed, but also how RMs are compensated for discussing them."

"The key drivers for us as practitioners will be thought leadership, to simplify financial products and effectively use social media and technology," he says.

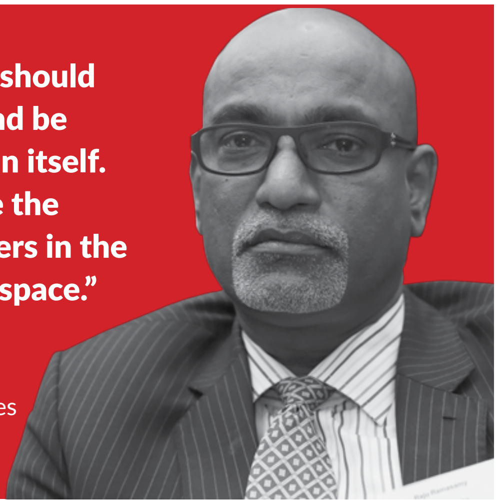
"The advisory model should take shape quickly and be seen as a profession in itself. This will differentiate the successful practitioners in the wealth management space."

Good, and broader advice would become increasingly important as Malaysian families became more international, according to Leng. "When talking about advisory services you have to progressively move beyond just saying what you can provide from an onshore perspective, encompassing how you factor family assets into a trust or pass on the legacy," she says. "You have to evolve and growth with your families and your clients to succeed in the wealth management business."

The mass-affluent segment was one area of business worth pursuing, notes Dato' Javern Lim, founder and group managing director at VKA Wealth Planners, particularly with government initiatives to make Malaysia a high-income nation. "The latest survey by Datamonitor shows the mass affluent population has grown 16% since 2013. [It now] represents an additional 85,000 Malaysians, and this is a ready market for us," he says.

"The advisory model should take shape quickly and be seen as a profession in itself. This will differentiate the successful practitioners in the wealth management space."

K R RAJU
Blueprint Group of Companies



"The mass affluent population now represents another 85,000 Malaysians and this is a ready market for us."

DATO' JAVERN LIM
VKA Wealth Planners

Linking this with the earlier discussed idea of Malaysian wealth management moving to an advisory model, Veturi notes it was relatively easier to advise those with substantial sums to invest, but less so for lower tiers of wealth.

"The reason real estate happens to be the main choice of investment is because they know more about it than other asset classes," he says.

"This is where the notion of building advisory capability that can reach out to different segment of the client base and educate them on the choice of asset clas-ses comes in]. It is probably the biggest gap in the market today."

Education needed to be streamlined and simplified for mass affluent segment to be a scalable business, he adds.

Raju agrees, noting that developments such as the Employee Provident Fund and Private Retirement schemes, with the latter expected to reach USD31 billion by 2020.

Whatever the tier of wealth in question, it is vital to not only change the basis on which clients' investments are discussed, but also how relationship managers (RMs) are compensated for discussing them, believes Leng.

"To provide advice you have to take an impartial position and this means not being compensated based on commission," she says.

"The Malaysian wealth management scene is not ready for fees, so the best way is to manage RMs and make sure compensation is in line with compliance and the way in which they articulate investment advice to the client."

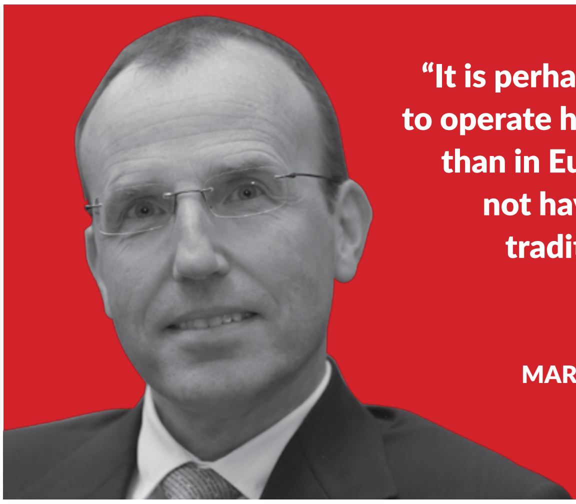
Kaul notes that Citi has already taken this approach, moving to a model whereby sales incentives only count towards 50% of an RM's compensation, and cited another institution that has moved to 100% "client experience-based" commission.

Returning to the theme of segmented advice, Martin Krahenbuhl, chief executive officer of customer communications technology provider Assentis, notes that new wealth in Malaysia meant institutions had a relatively open space within which to apply new business models.

"It is perhaps more simple to operate here in Malaysia than in Europe as you do not have so many old, traditional families," he says.

"Segmentation is more important than it used to be, and ways of communication are also different," he explains.

"With old families you have to have personal contact in all cases. They often refuse to go digital. What I see here is that people are much more into this concept and accept more digital developments," he adds. ■



"It is perhaps more simple to operate here in Malaysia than in Europe as you do not have so many old, traditional families."

MARTIN KRAHENBUHL
Assentis

UOB puts wealth as core to growth strategy

United Overseas Bank (UOB) is sharpening its focus on making wealth more central to its value proposition, says Dennis Khoo, who is spearheading this strategy.

Asia's steady economic growth has made the region home to a large population with rising personal wealth. UOB is focused on helping customers grow their wealth as they move through different life stages using a segmented approach from Personal Banking to Privilege Banking Reserve.

In particular, the bank is seizing opportunities across Asia, through its existing retail banking network in countries such as Indonesia, Malaysia, Singapore and Thailand.

"As middle class wealth in these markets increases, our aim is to meet the needs of personal banking customers with financial solutions that help them manage their money wisely," says Dennis Khoo, head of personal financial services for Singapore at UOB.

More specifically, the target is to grow the bank's AUM to SGD100 billion (USD73 billion) across all wealth categories and key geographies by the end of 2015.

"The target is SGD100 billion [AUM] across all wealth categories and key geographies by the end of 2015."

CORE OFFERING

While nobody can dispute the rationale for this approach, Khoo is aware that a larger wealth management business also creates greater exposure to two specific forces with which a balance

DENNIS KHOO
United Overseas Bank

sheet-based strategy is unfamiliar. "There is a certain amount of volatility which is brought about by the income swings that come from offering wealth

management products and services," explains Khoo.

The rising cost of business is also a challenge, with cost-income ratios typically in the 60% to 90% range.

With these dynamics firmly in mind, UOB has been building what Khoo refers to as a "core wealth management strategy" and combining it with a tactical one. In short, it means creating products that encourage and help clients to adopt a longer-term mindset for their portfolios.

The need for this is clear: a significant portion of consumers' assets today are in fixed deposits, savings and current accounts. However, with the cost of living rising and returns on cash declining, an asset allocation that is heavily skewed towards cash products rather than investments may not be ideal.

"We have introduced a new back-to-basics investment solution called the UOB Income Builder for consumers who find investing a daunting task," explains Khoo. "It offers more diversified, risk-managed funds which clients hold for the long term."

According to a UOB survey, half of the consumers in Singapore do not invest because they are afraid of making a loss (66%), they do not understand how to invest (60%), and they do not understand investment products well enough (55%).

Recognising these challenges, the UOB Income Builder investment solution, launched in Singapore in October 2014, uses the basic investing principles of time, diversification and compounding to give consumers more confidence when investing.

A SOLID INCOME PROPOSITION

The product comprises three funds hand-picked by the bank's investment specialists: BlackRock Multi-Asset Income Fund; JP Morgan Global Income Fund; and Schroders Global Multi-Asset Income Fund.

The funds were selected because they adopt a flexible asset-allocation approach that allows fund managers to move investments among different asset classes quickly. This approach helps to mitigate the risks from volatile market conditions. The funds span geographies and asset classes, such as equities, bonds and real estate investment trusts (REITs).

"Ultimately, we want to help our customers achieve a regular income stream to support their aspirations and to supplement their savings when they stop working," says Khoo.

"While market cycles cannot be controlled, we believe market risks can be managed better by investing on a regular basis over a long period of time in a diversified portfolio," he adds.

Such a strategy, it seems, is a more prudent and disciplined way of investing as compared with one that focuses on short-term gains.

So far, the solution is proving popular. To date, UOB Income Builder has achieved over SGD1 billion in funds.

FINDING THE RIGHT PEOPLE

Investments aside, UOB is also strengthening one of its most important pillars – people.

Despite the growing influence of robo-advisers over the next five to 10 years, Khoo believes success in Asia will continue to depend on individuals who are able to provide face-to-face services to customers.

That said, employee retention and the lack of industry experience are perennial challenges in retail banking. In response, Khoo's recruitment strategy, he says, is to be an "employer of choice" and take a long-term view of the training process.

> **"Success in Asia will continue to depend on individuals able to provide face-to-face services to customers."**

This largely comes down to the career progression that the bank can offer. "We are working very closely with our HR colleagues to develop more continuous training opportunities for employees," he explains. "For example, we are now visiting universities much earlier to help undergraduates understand how UOB can help as they look for opportunities."

The bank is also ramping up its practical training sessions. This involves calling on the experience of some of its most skilled practitioners within the bank to get involved with training new hires. "It is more important and relevant for new hires to learn from the best," explains Khoo. ■

CFA Institute

BETTER INVESTMENT PROFESSIONALS. BETTER MARKETS. BETTER WORLD.

CFA Institute is a global community of more than 125,000 investment professionals working to build an investment industry where investors' interests come first, financial markets function at their best, and economies grow.

Laying the foundations to build Asia's top boutique private bank

From its private bankers to investment solutions, UOB Private Bank believes that values, a long-term mind-set and steady, growth-oriented solutions are at the heart of building a boutique private bank.

When asked what defines UOB Private Bank, managing director Ong Yeng Fang is quick to say that it boils down to the key principles of trust, honesty and integrity.

"These are values that all our relationship managers (RMs) are expected to have," she explains. "These values and trusted relationships are among the key reasons why many long-time clients have stayed and even the next-generation chooses to carry on the tradition of banking with UOB. From the bankers we hire to the investment solutions we offer, these values are the core of everything we do. We want to help our clients manage their wealth for generations to come."

UOB Private Bank saw strong growth in the first six months of 2015, as a result of its focus on offering personalised and prudent wealth management solutions to clients.

"Our values and trusted relationships are among the key reasons why many long-time clients have stayed and even the next-generation chooses to carry on the tradition of banking with UOB."

ONG YENG FANG
UOB Private Bank

"We continue to sharpen our focus on developing a holistic approach to wealth management," adds Ong. "As many of our clients are entrepreneurs and business people who are investing in Asia, we are well-placed to help these clients manage their business

and wealth. We do this by working closely with the businesses within our group – commercial banking, corporate banking, corporate finance, investment banking and private equity – to give the best solution to our clients."

for a variety of non-financial assets, whether it is hotel acquisitions or business acquisitions on a personal front."

Managing risks effectively remains fundamental as the bank expands.

"We have seen very good referral flows, not just locally but also across South-east Asia."

STRENGTHENING THE PILLARS OF PEOPLE AND INVESTMENT SOLUTIONS

Ong attributes the recent growth to the tremendous commitment from senior management to build Asia's top boutique private bank.

With a new chief investment officer onboard, UOB Private Bank has been expanding its range of investment solutions for clients.

This has also strengthened the investment advice and execution by its RMs in line with the house views on macroeconomic issues.

UOB Private Bank's open architecture also allows the bank to source for financial solutions from both its in-house global markets team and external institutions, adds Ong.

The key objective is creating the best solutions for clients. "With increasing demand for comprehensive services, client expectations go beyond the expertise of the financial market and they look more towards our client advisers to provide bespoke financing solutions

As such, the risk management function has been strengthened with the addition of a new head of risk, whose responsibilities include integrating and enhancing current risk practices across the bank.

With the expansion, UOB Private Bank's team of RMs has increased by 50% from the year before.

Ong stresses that the bank's expansion has not been at the expense of quality.

"When I look for people to come onboard, I look for people with character, a great attitude and the passion to do their best work for clients and the bank. This combination is not easy to find."

"When I look for people to come onboard, I look for people with character, a great attitude and the passion to do their best work for clients and the bank," she explains.

Yet this combination is not easy to find, adds Ong.

TAKING THE "ONE BANK" APPROACH

UOB Private Bank is also looking to strengthen its "one-bank" approach, involving ramping up cross-selling across its divisions.

For instance, given UOB's strength in mortgage financing, several mortgage clients have been converted to private bank clients. Likewise, many of UOB's private bank clients use the bank's corporate and commercial financing solutions in order to support their business activities.

"We have seen very good referral flows not just locally, but also across South-east Asia." says Ong.

"We are institutionalising this process and been very successful in our key markets of Malaysia, Thailand and Indonesia. Whether it's personal mortgage loans, corporate loans, trade financing or private banking advisory services, our clients are happy with the one bank approach." In 2014, UOB Private Bank's income and net profit after tax both increased by 31% year-on-year. ■

Getting to grips with Asian investors' fund preferences

Asian investors can favor the same funds as their counterparts in markets such as Europe and the US, but not always for the same reasons, believes Philippe Graffart at Nordea Asset Management.

Foreign fund managers doing business in Asia need to tailor their offerings to the specific requirements of the region's investors, including a greater appetite for risk, according to Philippe Graffart, head of Asia Pacific fund distribution at Nordea Asset Management.

"The first time I heard the idea of leveraging a High Yield fixed income product a few times was in Asia," he says. "There is nothing wrong in that, but the risks of leveraging are not always well understood by investors and they need to be explained."

Investor preferences vary in other ways, according to Singapore-based Graffart, who came to the region a little over two years ago. Although he notes a growing preference for multi-asset funds both in Europe, Nordea's home market, and in Asia, this is for different reasons.

"In Europe [the move to multi-assets] is driven by the fact that retail clients' deposits are not earning any money and they want to generate a decent return," Graffart explains.

"In Asia the private banks are deleveraging and de-risking their portfolios. At some point valuations will correct."

The need to tailor its offering to local preferences ties in with Nordea's belief that it can offer the optimum investment proposition, and differentiate itself, by teaming up with the best fund managers in a given sector.

"When we want to access an asset class and do not have the product on our shelf, our objective is to have global exclusivity with a [specialist fund manager] and tap into their resources," Graffart says.

PHILIPPE GRAFFART
Nordea Asset Management

For example, in Indian equities, Nordea has tied up with ICICI Prudential; in RMB-denominated fixed income it works with Hong Kong-based fund manager Income Partners; and in A-shares it recently started cooperating with Libra, the asset management operation of e-commerce giant Alibaba.

Nordea's key strategic products in Asia include European Financial Debt, European High Yield, Stable Return, Emerging Stars and US Total Return funds.

The latter invests in mortgage-backed securities and is unique in the market as it includes both agency and non-agency issuances. In addition, Nordea regards Doubleline star manager Jeffrey Gundlach's team as the best avaialble in the asset class.

Nordea Emerging Stars is another flagship offering in emerging market equities, and reflects the company's belief that it can deploy an environmental, social and governance overlay without sacrificing investment performance.

CONCENTRATED STRATEGY

Globally, the asset management business has EUR194 billion (USD214.6 billion) in AUM.

Although this is far from a 'boutique' number, Nordea believes its best opportunity for success in Asia is to have a tight focus on leveraging the services it already provides to global wealth managers, including private banks.

It is concentrating on a select group of clients in the region.

"We do not think we will enter the retail market in Asia any time soon, because doing this requires resources, and a brand name, and meeting a multitude of different regulatory requirements," Graffart says. "We prefer to be an asset manager that targets niche markets and sticks to this."

In distribution, it also aims to focus on building relationships in specific markets rather than cover all of Asia, with Hong Kong and Singapore now representing 90% of its business in the region, according to Graffart.

"Going after Thailand, Indonesia or Malaysia is an option for the bigger fund managers that are already firmly established in Hong Kong and Singapore, but we are not yet at that stage," he notes.

Instead, the firm aims to cement relationships with a selection of top wealth managers in Asia, be they pure local firms or the regional businesses of major international players.

Nordea already has global distribution agreements in place with most global wealth managers but has yet to actively trade with all of these partners, Graffart notes. This will come in time, he adds, and Nordea has already achieved lot in Asia.

NEW CONNECTIVITY

Graffart expects strengthened financial market links between Hong Kong and China to present a substantial opportunity for Nordea. Indeed, it could bear fruit earlier than the firm had expected.

"When I came to Asia in 2013 there was already talk about this but I did not expect it to be ready just two years later," he says. "The authorities have pushed forward the Shenzhen-Shanghai-Hong Kong agreement and the mutual recognition framework and we have some established strategic partnerships in this space."

Although the largest wealth managers tend to conduct fund selection in their home markets, Nordea believes it needs to offer them an on-the-ground presence in Asia so that it can support their local business needs more efficiently.

"Asia private banking is currently more of an advisory than a discretionary market," Graffart explains. "And when you enter such markets you need someone on the ground who can present to advisers and meet clients. They will not want to wait 24 hours or that you fly some specialist in for a simple request or meeting."

If a fund is selected by a wealth manager from its European or US base, Graffart's role is to support its implementation in Asia. He does this by explaining how the fund can match the region's specific investor preferences and competitive landscape.

"You may have a multi-asset fund that has different characteristics to those already in the market and need to explain to people where that fits on their product shelf." ■

"You might have a multi-asset fund that has different characteristics to those already in the market and need to explain to people where that fits on their product shelf."

China ETFs set to flourish amid rising red tape and fee disclosure

Mounting regulatory costs and greater transparency over fees offer exchange-traded funds an opportunity, particularly those focusing on China. Tobias Bland of Enhanced Investment Products explains how his company aims to benefit.

Investors' hunger to gain exposure to some of the fast-growth areas in China's economy remains undiminished.

However, the country's local markets can be quite restrictive for international retail investors, and many of its companies that have listed internationally have chosen to do so in other regions, principally the US.

Meanwhile, regional fund management companies are grappling with the advent of new rules around fee disclosure that are prompting a shift towards performance-driven management fees for distributors.

Tobias Bland, chief executive officer of Enhanced Investment Products (EIP), notes that his own company is spending about USD750,000 per year on compliance staff who simply take care of the reporting requirements and keep an eye on the overall regulatory environment with respect to its operations.

Yet he believes these rising compliance and transparency requirements are more of an opportunity than a challenge for exchange-traded funds (ETFs) – particularly ones focused on China.

CHINESE APPEAL

"In developed markets that have brought in fee disclosure, distributors have realised that they need to be on the same side as their clients and move to offering a performance-based model," says Bland.

"They then start to look for products that provide the most efficient way to access the chosen asset allocation. ETFs have come into that thought process. Overall, we expect bank after bank to go for the performance model."

China ETFs could prove to be especially popular. Asia has been bullish on the country for a while now, but the world's interest has also grown this year, as its stock market soared. The Shanghai Stock Exchange Composite Index rose from 3,235 on December 31, 2014 to reach 5,166 on June 12 this year, before experiencing a drop to hit 3,669

TOBIAS BLAND
Enhanced Investment Products

on July 30. Investors outside of the country had been looking for ways to invest in China to benefit from its growth, but navigating its capital and foreign exchange controls has limited their ability to do so.

EIP has been seeking to fill this need by teaming up partners to take full advantage of these opportunities. The company has conducted several recent China-focused ETF fund launches,

Among recent ones, EIP has the China Opportunities Fund on the hedge funds side of its business and the XIE Shares FTSE Chimerica ETF (Chimerica Fund).

The company is preparing to launch more in the coming months, says Bland. He is optimistic about the prospects.

UNIQUE OFFERING

The ability to invest in Asia's largest emerging market for a low cost has enticed many investors.

EIP launched its China Opportunities Fund in December last year, after investors agreed to support it to the tune of USD23 million. It invests in convertible bonds and fixed income investments in China.

"These are very interesting opportunities for us," says Bland. "The China Opportunities Fund is a multi-strategy fund that invests in anomalies between onshore and offshore arbitrage opportunities in Chinese instruments.

"This is exciting because Chinese fixed income is a very popular and increasingly mature market."

In April this year, EIP then launched the Chimerica ETF. This new fund covers the FTSE N Series Index, which consists of many of the most prominent Chinese companies to have listed in the US, including internet firms like Alibaba. It has bought into the stock of 26 Chinese internet and technology companies listed in the US.

Bland says these companies are largely well-known by Asian investors, who have lacked the chance to invest into them in real time so far.

The new fund has so far raised USD32 million in AUM. Bland believes it is only ETF in Asia to offer real-time access to N-shares during Asian trading hours. N-shares refer to Chinese companies stock listed on the New York Stock Exchange, Nasdaq or the NYSE MKT. The appeal of the Chimerica ETF could be underlined by index producer MSCI's recent announcement that it will include N-shares into its MSCI China and Emerging Markets Indices from November 2015.

"Most people should spend more time focusing on US-listed Chinese companies to really feel the impact of the MSCI inclusion," says Bland.

His key objective is to distribute the Chimerica ETF to private banks, family offices and retail investors operating in China, by taking advantage of the low-cost, transparent, and easily tradable nature of ETFs. Additionally, the Chinese fixed income market holds many opportunities. Bland notes that it has USD3 trillion to USD4 trillion of issued bonds from a variety of household names. It's a huge market with a lot of potential, and EIP is considering new products to help offshore investors gain access to it soon.

FLEXIBLE APPROACH

Bland hopes the ETFs will ultimately appeal to investors because of the flexibility they offer to track exciting parts of China's fast-growing capital markets.

"Distributors have realised that they need to be on the same side as their clients and move to a performance-based model. They then start to look for products that provide the most efficient way to access the chosen asset allocation. ETFs have come into that thought process."

The advent of new regulations should merely underline these advantages.

The funds have also become very liquid, with their net asset values (NAVs) now being published every day instead of just calculated once a week, as used to take place. This gives investors more confidence to enter and leave the ETFs whenever they wish.

This combination of qualities is appealing at a time of rising compliance complexities and costs. It also promises to stand EIP in good stead. ■

How to adapt and thrive in Thai wealth management

Substantial changes are underway in the competitive and regulatory environment of Thailand's wealth management market, and institutions will need to enhance both advice and product to stand out.

Notable about wealth management in Thailand is increasing competition and regulatory change, as the main drivers of development in the industry.

The local landscape seen two distinct groups of new entrants.

"For the past one or two years Thailand has seen more companies set up as family offices or external asset managers, including former bankers, and targeting niche markets. There are also more global banks coming in to set up local offices," says Narit Kosalathip, assistant managing director, private wealth management at Phatra Wealth Management.

Other changes are afoot, with a new securities law recently proposed by Thailand's Securities & Exchange Commission. This includes rules governing the sale of depositary receipts on foreign securities in Thailand, which must be linked to the shares themselves or units of exchange-traded funds.

"We strive to provide information based on our research and data and to advocate portfolio diversification ... This is generic advice but is easier said than done."

VIRA-ANONG PHUTRAKUL
Citi

"Thailand is seeing more companies set up as family offices or external asset managers and more global banks coming in to set up local offices."

"There is a lot of regulatory change, including the new securities law. Dealing with this is the cost of growing business in an emerging market," says Dusanee

"One customer will be happy if their investment goes up 12% whereas another will be happier if there is somewhere he can get good information."

CHOLATHEE PORNROJNANGKOOL
Standard Chartered Bank

Thai investors, at least over the past couple of years, as they continue to favour fixed income funds or keeping their holdings in cash.

"At the end of the day it is not about beating the market, but about providing products that are in line with clients' expectations and risk profile, and we need to know these things at the start," adds Phutrakul.

There is an opportunity in the industry for smaller players to make headway

Klewpatinontha, executive vice president, head of wealth products and consulting, retail banking group at CIMB.

For Standard Chartered, HNW individuals are served by its priority banking operation, which caters to clients with at least THB3 million (USD89,000).

ADVICE NOT PRODUCT

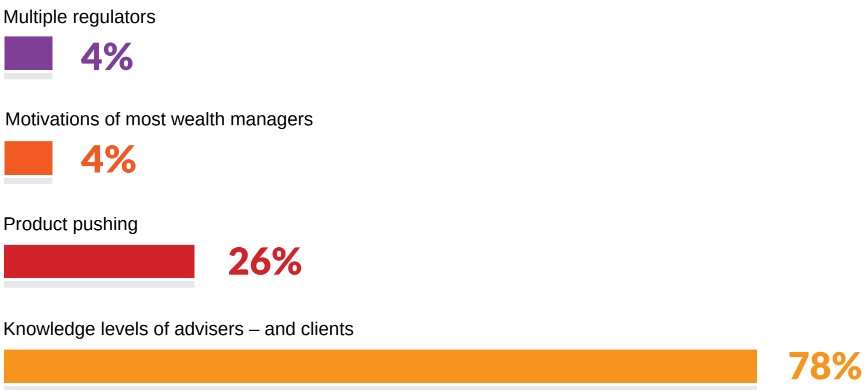
"Our priority is to grow wealth management business," says Cholathee Pornrojnangkool, head of priority client acquisition at Standard Chartered Bank. "Investment advice is the main service that clients are looking for."

Vira-anong Phutrakul, managing director, retail banking head, Thailand at Citi, agrees, noting that her institution has started to train bank officers in basic investment advice.

"We strive to provide information based on our research and data and to advocate portfolio diversification," she adds. "This is generic advice but is easier said than done."

Even at a basic level, however, this advice has been gaining little traction among

WHAT IS THE BIGGEST HURDLE TO ENHANCING INDUSTRY CREDIBILITY IN THAILAND?



Source: Hubbis Thailand Wealth Management Forum 2015

"We differentiate ourselves by providing advisory and customised solutions. And this has enabled us to grow very well"

SWEE MENG MOK
AIRA Securities

despite not having the firepower of larger international and domestic institutions.

"My company is small compared to a Standard Chartered or a CIMB so we differentiate ourselves by providing advisory and customised solutions," says Swee Meng Mok, senior vice president, head of wealth management at AIRA Securities. "And this has enabled us to grow very well."

In a sentiment poll at Hubbis' annual event in Bangkok in May 2015, the audience was asked to pick the best way for banks in Thailand to differentiate themselves. The response was evenly split, with 26% choosing each of "investment performance" and "inter-generational wealth services". "Mobile and digital platform" received 19% of the vote, with "culture" and "loyalty/stickiness of key people in joint-last place with 15% each.

"There are a lot of regulatory change. Dealing with this is the cost of growing business in an emerging market."

DUSANEE KLEWPATINONTHA
CIMB

"It will take education to convince Thai investors of the benefits of taking greater risk."

PROMOTING DIVERSIFICATION

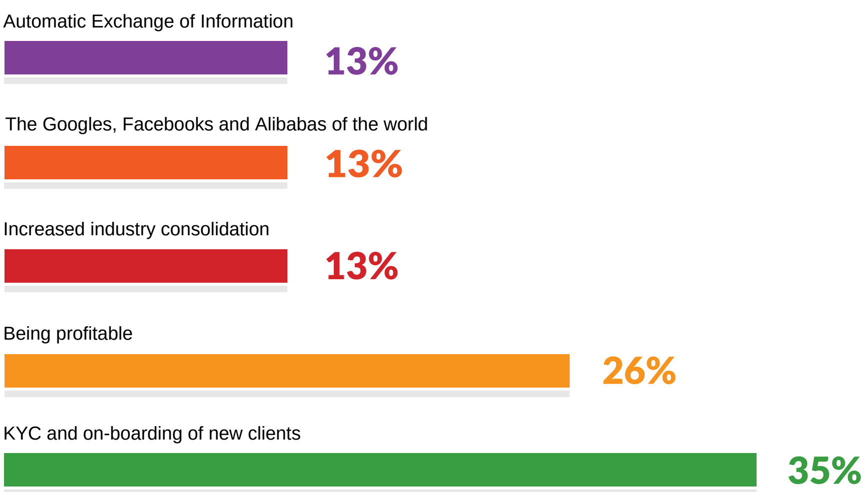
Practitioners note it will take education to convince Thai investors of the benefits of investing more in equities and taking greater risk. Institutions can also differentiate themselves by offering clients structured portfolios including multiple asset classes, says Kosalathip. According to Pornrojnangkool, there is also a need to upskill relationship managers, and increase the quality of advice, in order to ensure that investors are put into the right products for their needs: "One customer will be happy if their investment goes up by 12% but another will be happier if he has someone from which he can get good information."

"Customers who are happy will refer friends and family, and net promoter score (NPS) is a good gauge of [their happiness]," adds Klewpatinontha.

Essentially, the value of a wealth management proposition lay in advisers' ability to add value to clients, notes Kosalathip, particularly as they are becoming more knowledgeable and institutions face growing competition from financial technology companies. A limited range of products is arguably the main barrier to this.

"Customers are constrained by the products available, and the quality of advisory," adds Phutrakul. "I would like liberalisation and the ability for Thai investors to access global products." ■

WHAT IS YOUR BIGGEST CHALLENGE IN THE NEXT 12 MONTHS?



Source: Hubbis Thailand Wealth Management Forum 2015

Why playing a safe game is smart for Nordea

Nordea Bank's Asian private banking strategy of targeting Nordic wealth owners means the firm can extend its tried-and-tested offering of conservative investment and structuring solutions to clients who share the cultural background and mind-set.

Nordea Bank's Asian private banking strategy is clear: ensuring it has a visible presence within the Nordic expat community in the few domiciles where they cluster - namely, Singapore, Hong Kong, China, Thailand and the Philippines.

To reinforce its value proposition, the bank's client-facing staff are a combination of Norwegian, Swedish and Danish in nationality. "So if we have a Swedish client, he would be dealt with by a Swedish private banker," explains Kim Nielsen, general manager, Singapore branch, at Nordea Bank.

SUSTAINABLE RELATIONSHIPS

A key benefit of maintaining a focus on individuals with whom the institution understands culturally is that both clients and bankers alike share a long-term perspective on investing and wealth planning. "Our Nordic clients are open to longer and more sustainable relationships," says Nielsen. "From our side, we don't want to push products." The evidence is the fact his clients give the bank discretionary mandates.

Another opportunity which stems from an on-the-ground presence in Singapore is wealth planning. "From Europe, we can't advise on structuring in Asia," says Nielsen, "so it is better to be here."

To tap this potential, he trains his bankers so they understand the client's environment, to determine their needs and then work with a third party to bring the best solutions to them.

INVESTING IN THE PLATFORM

The bank is also putting the finishing touches to its new digital platform, expected later in 2015. This will migrate nine systems into one platform. "It will enable us to deliver better solutions for our clients and give our private bankers better tools to serve our clients," he says.

Nielsen is now searching for a few hires, but is more likely to grow his team from outside Asia. "The individual has to be able to build their own brand and reputation. And we have some great people in Scandinavia who can do that." ■

KIM NIELSEN
Nordea Bank

Searching for calmer water in rough seas?

Get the answer with **Maybank Bluewaterz Total Return Fund**

Call Maybank Asset Management Sdn. Bhd. at **03 2297 7888**, visit any **Maybank Branch** or log on to **www.maybank-am.com** for more information.

Disclaimer:
This print advertisement is a brief description and is not exhaustive. Maybank Bluewaterz Total Return Fund is a wholesale fund and to be offered only to sophisticated investors. The Information Memorandum for Maybank Bluewaterz Total Return Fund dated 24 July 2015 has been deposited with the Securities Commission Malaysia, who takes no responsibility for its contents. A copy of the Information Memorandum can be obtained at our office, our distributor's offices or any of Maybank's distribution branches. Units will only be issued upon receipt of an application form referred to in and accompanying the Information Memorandum. Investors are advised to read and understand the content of the Information Memorandum before investing. Among others, investors should consider the fees and charges involved. The price of units and distribution made payable, if any, may go down as well as up. The past performance of the Fund should not be taken as indicative of its future performance.

Humanising Financial Services.

Maybank Asset Management

A Japanese alternative for Hong Kong's wealthy

Tsutomu Nakajima has a vision to take Nippon Wealth Limited, a Restricted Licence Bank (Nippon Wealth) from its starting point of relatively exclusive access to 60,000-plus Asia-based Japanese nationals, to a USD4 billion player in Hong Kong's landscape by 2020.

For what seem to be mainly historical reasons, Japanese wealth managers have generally steered clear of extending their reach into the Hong Kong wealth management market.

Nippon Wealth, however, sees things differently. And after securing its status as a restricted licence bank in the city in April 2015, it has been able to push ahead with its niche approach to provide a lower-threshold wealth management offering, essentially via asset management services, to individual clients of a net worth of HKD1 million (USD129,000) and above.

"We try to simplify the concepts of how people [in Asia] can invest in Japan, and for Japanese clients to invest in Hong Kong and China," says Tsutomu Nakajima, executive director and chief executive officer.

This strategy gives the firm a relatively unique positioning, to access the 25,000 or so Japanese nationals living in Hong Kong. At the same time, the 35,000 in Singapore and other regional centres are also on Nakajima's radar.

CONNECTING ITS CLIENTS

The partnership-led approach that Nippon Wealth follows is reflected in its business model.

The firm is a wholly-owned subsidiary of OJBC and also an affiliate of Shinsei Bank. Its second-largest shareholder is leading Hong Kong IFA firm Convoy Financial Group.

In short, the main focus of the business is to provide limited banking services, and other tailor-made financial solutions, to clients by utilising its network and internal resources.

"In Japan, we have USD60 trillion in assets, with many clients who are looking to diversify their investments outside Japan," says Nakajima.

TSUTOMU NAKAJIMA
Nippon Wealth

The client referral programme works both ways, depending on what the client is after, he explains, adding that this is part of a broader networking-type engagement given the objective is not to provide all types of financial services.

With Convoy, for example, the IFA can tap into Nippon Wealth's banking platform for a broader distribution network.

"We link clients," says Nakajima. "We provide no lending, as we focus on asset management, mainly in global and Japanese markets, and provide structured deposits. We might set up a property fund, for example, so our availability of product is quite wide."

And the firm's heritage is an important theme throughout its marketing. "Nippon Wealth strives to provide the products and solutions which prove to be competitive in global standards, delivered to our clients with the top-notch quality of services and hospitality [associated with] Japanese standards," it says on its website.

A ROBUST START

Nippon Wealth is clear about its commitment in Hong Kong, as one of the firm's three global wealth management centres (in addition to London and New York) outside Japan.

This is evidenced by the investment in its technology platform, with the firm going live with Temenos' core banking solution, T24, in mid-2015.

This enabled Nippon Wealth to start its banking operations smoothly, realise operational efficiency and establish credibility in the eyes of its target customers, says Nakajima.

The implementation, he explains, will enable the firm to leverage a centralised and scalable banking solution to serve a growing affluent customer base across Japan and Asia.

Prior to this launch, Nippon Wealth had already entered into a bancassurance partnership with MassMutual Asia in the first half of 2015.

Combining the Japanese retail-banking expertise with MassMutual Asia's product-innovation strengths in risk and wealth management, this agreement is designed to provide the Japanese community in Hong Kong with flexible financial planning and retirement-planning services.

"Although the insurance and annuity market in Japan is well developed, the returns offered by most annuity insurance plans in Japan are relatively low," explains Nakajima.

"Moreover, most plans only provide annuities with pre-set installment payments, and not for lifetime, and thus may not be able to adequately cover the risk of prolonged life expectancy. For these reasons, many Japanese are turning to financial planning solutions available overseas that provide more competitive offers."

Nippon Wealth is distributing two of MassMutual Asia's flagship products: Target Annuity Lifetime Saver, which provides guaranteed lifetime annuity income; and FLEXI-ULife Prime Saver, a universal life plan that can be tailor-made to accommodate the customer's changing needs at different life stages.

GROWTH TRAJECTORY

The vision of Nakajima, together with chief operating officer Kenichi Hasegawa, is to grow its current customer base to an expected 30,000 within the next five years.

There are several components to the plan. For example, Temenos' core banking solution will provide a competitive edge through continuously supporting Nippon Wealth in providing enhanced customer services.

Further, the firm is applying for Type 1 and 4 licences from the Securities and Futures Commission.

With a staff of around 40 so far, including eight relationship managers who speak a combination of Cantonese, Mandarin, Japanese and English, Nakajima plans to grow assets to USD4 billion by 2020, when Tokyo will host the Olympic Games. ■

Three components to Nippon Wealth's offering

- ***Support in multiple languages*** *– despite being a restricted licence bank in Hong Kong, Nippon Wealth offers services in Cantonese, Mandarin, English and Japanese to ensure confidence for individual investors.*
- ***Accurate and timely disclosure*** *– to supplement the lack of transparency when investing offshore, Nippon Wealth ensures the accurate and timely disclosure of any relevant information.*
- ***Portfolio advisory services*** *– Nippon Wealth recommends long-term and diversified investments as one of the core solutions to its clients. Changes to the portfolio derived by market movements or transactions are monitored and tracked to react quickly for the best interest of its clients.*

How private banks can add passion to client relationships

Private bankers can do a much better job for their clients and make a more memorable impression if they understand their particular lifestyle preferences. Concierge services such as Ten Group can help them gain this knowledge, says Andrew Long.

A few years ago in the UK, a wealthy businessman wanted to arrange a surprise birthday for his wife. He knew that she adored singer Annie Lennox, and hoped to arrange for the ultimate surprise for her.

Come the evening of his wife's birthday, over 80 guests gathered in Amberley Castle in West Sussex.

There, after an excellent meal, a tune by Lennox began playing. The birthday girl dashed out to the dance floor.

"At this point the stage moved around and Annie Lennox herself was there, singing. The woman just burst into tears and ran up on stage," says Andrew Long, co-founder of Ten Group.

Ten Group is a concierge service that caters to the world's wealthy. It arranges holidays, sources premium restaurant bookings, and creates exclusive experiences.

These could be a last minute dinner at celebrated UK restaurant The Fat Duck, a surprise holiday to the Maldives – or a night with a celebrity.

The company typically white-labels its services, working behind the scenes with premium credit card providers such as Citibank – as well as institutions such as private bank Coutts.

The aim is to offer convenience, exclusivity and unique experiences, to make its customers feel valued. "That member spent a great deal on the party, but his wife would have told everybody there how happy she was," says Long.

ANDREW LONG
Ten Group

DIFFERENTIATION

Allying with concierge companies like Ten offers astute private banks an opportunity to better relate to their clients.

"We build up a very rich profile on our clients and our partner's clients," Long says. "What's interesting about that is we learn things about the people using the service that often the private banks don't know about their own clients."

When building a lifestyle profile about clients, Ten gains access to a great deal of information about how they like to spend their free time, what they find most important in terms of leisure, and what opportunities might most appeal to them.

Long says that their bank partners can access this information and use it to speak to their clients in a much more interesting fashion than just discussing the next investment product or equity market movement.

"If you are a private banker one of your biggest challenges is that you don't have that many reasons to call your clients," he says.

from concierge providers such as Ten is the need for accountability.

HNW clients are typically busy, self-confident and successful. Many have little patience for mistakes or time-wasting. That makes it vitally important to provide a reliable and responsive service.

"We have a very clear path that lifestyle managers can go through and part of that process is how best to deal with challenging members or requests," says Long.

"For example, if a client [in the UK] says 'I need a planner or an architect', we will look at our system and arrange it. And

"If we do our job properly we can enable the private banker to call their clients and say 'I know you are interested in Manchester United and I can get some face value tickets for the game in two weeks' time; would you be interested?'"

"Whereas if we do our job properly we can enable the private banker to call their clients and say 'I know you are interested in Manchester United and I can get some face value tickets for the game in two weeks' time; would you be interested?

"Even if the clients are not interested they appreciate it, and if they are and have a good experience that could lead to another [investment] conversation."

Another key lesson that other industries, including private banking, can take

if it goes wrong and takes a long time to arrange we feel it is our responsibility, and we take the hit on the time it takes to rectify the problem."

BUILDING IN ASIA

Ten offers its personalised services to more than two million individuals on behalf of over 70 organisations, in 24 languages, across more than 35 countries.

The company has nearly 450 employees in 16 cities, including London, Maidenhead, New York, San Francisco, Miami, Mexico City, Singapore, Tokyo, Hong Kong, Shanghai, and Melbourne. It next intends to open in Seoul, South Korea.

Becoming a truly global high-end concierge company takes time.

Ten has spent 17 years building a database of relationships with a variety of luxury goods providers, restaurants, hotel chains and airlines.

It gains discounts on many of these services due to the volume of business it can supply.

It also has travel agency credentials, and can book flights for its customers at lower rates than the face value offered by airlines.

Long says its typical clients are worth USD1 million to USD10 million.

WORTH THE EXPERIENCE

Such breadth of service doesn't come cheap. Long says that his company negotiates package costs with his direct client, and helps them decide how extensive the array of services they allow their clients to access should be.

Yet despite the cost, Long argues that the value of these services is becoming clearer among the banks it works with.

"In the old days, concierge services were seen by most people as purely a cost, and something that becomes more expensive the more people use it," he says. "However, more and more organisations are seeing that it is a profit driver."

He says that institutions with which Ten works notice the benefits of conducting such a collaboration.

"We have been working with organisations for more than two or three years and they can see that there is a direct link between members who are active users of concierge services and the amount they spend on their credit card or the amount of assets they have under management [with the bank]."

Additionally, private bankers see the value because they are clients of the concierge services themselves.

"Most private bankers of any client have access to the service personally. Plus we help train staff," Long says.

For example, some of Ten's team go into Coutts every two or three months and train some of their private bankers about how to use the concierge service, trends in the luxury market, and any new high quality hotels or restaurants that are opening in London.

"We train them how to talk about these opportunities, and that allows them to open the conversation with their clients, and if they are interested the private banker can say 'can I get the concierge to give you a call?'"

Ten intends to conduct similar training for local banks that provide premium credit cards in Hong Kong, Australia and Japan later this year.

UNUSUAL REQUESTS

Servicing the needs of wealthy individuals is largely a similar process across the world.

"Sixty-five percent of our requests are generally travel or dining related," explains Long.

But this doesn't mean wealthy clients universally act the same, across the world. Long points to one Chinese lady's discerning attitude towards spending.

"We sent an email newsletter and that contained a picture of 12 different Hermès Birkin handbags, and the Chinese customer emailed back and simply said: 'Yes please'. One of our retail team followed up with her and she bought them all for USD500,000.

"Yet later on we organised a tour to Europe, and we assumed that somebody who could spend that kind of money on handbags would obviously want to fly business or first class or even perhaps hire a private jet. But she wanted to fly economy and then stay in a lower four star hotel."

The point is that many Asian families place a high value on physical displays of wealth, yet are budget-conscious when it comes to more transitory acts of spending.

Knowing and understanding such unique cultural factors is another key requirement to satisfying clients.

Of all Ten's Asian clients, Long says those in Japan are among the most difficult to satisfy.

"We find that many of our wealthy Japanese clients are incredibly demanding but fair when it comes to what they want.

"They have realistic expectations about what you can do but they expect you to answer the phone incredibly quickly and respond to their requests on the same day, if not within a few hours, with a very clear, well-written response," he says.

"Plus there is a certain language called Keigo that you have to speak in Japan when you are dealing with high service."

"In the old days, concierge services were seen by most people as purely a cost, and something that becomes more expensive the more people use it. However, more and more organisations are seeing that it is a profit driver."

It's worth learning how to deal with such an approach, given that Japan is also one of Ten's best growth prospects.

"The US will become our biggest market by the end of this year. But I think Japan has the potential to become one of the largest in the future. It has a lot of wealthy individuals who understand the concept of luxury."

With the number of HNW individuals in Asia only set to rise further, Long appears likely to remain based in the region for some time to come. Banks looking to differentiate themselves might consider talking to him. ■

Lifting financial planning standards in Singapore

Joseph Kwok of the Financial Planning Association of Singapore (FPAS) has a clear vision to professionalise the industry – starting with practitioners, and then improving literacy for consumers.

Life is certainly not dull for anybody involved in the development of Singapore's financial planning industry.

Far-reaching changes have been afoot over the past couple of years. Perhaps most noteworthy is the implementation of the Financial Advisory Industry Review (FAIR) – with the aim of helping to professionalise the industry as part of a move which, ultimately, benefits all stakeholders involved.

For Joseph Kwok, in particular, the vantage point is quite unique.

In addition to being deputy general manager of Professional Investment Advisory Services (PIAS), in charge of its products and research department, he is president of FPAS.

Wearing these two hats – among a few others – means he is involved in much of the dialogue on where next for practitioners and the industry as a whole.

"FPAS aims to play an active role to help professionalise the planning industry through the CFP programmes," he says. "With more consumer satisfaction, the industry will hopefully grow and then everyone involved will be better off."

EVOLVING WITH THE LANDSCAPE

In the short term, FPAS is enhancing the curriculum so that CFP continues to take the lead in setting the standard for financial planners.

"With an enhanced curriculum, FPAS aims to have the CFP programme accredited with The Institute of Banking and Finance (IBF) as a standard for financial planners," explains Kwok.

In the mid to long term, FPAS aims to have CFP recognised as the premium professional qualification for financial planners in Singapore and regionally.

Kwok hopes this will get more financial advisers to strive to complete the CFP programme, so that there will be twice or more the number of CFPs to provide financial planning to consumers in Singapore and regionally. "With a high

JOSEPH KWOK
FPAS

professional standard, FPAS aims to become an industry self-regulating body for financial planners," he adds.

To add to the mix, FPAS also wants to embark on a National Financial Literacy Programme (NFLP) to further improve financial literacy among Singaporeans and consumers in the region.

For the elderly, the Association wants to deliver these programmes in languages other than English. For the younger generation, meanwhile, FPAS is aware of the need to use social media and interactive games / applications to attract their attention.

And through CFP holders, FPAS can champion financial planning awareness among consumers so that more of them can be financially sound.

"With greater awareness, this will hopefully help to grow the industry pie so that all stakeholders are better off eventually," adds Kwok.

TRAINING PRIORITIES

Although Kwok is setting a high bar in theory, he has also identified priorities for how FPAS can raise standards and professionalism in practice.

And he is very aware that this goes way beyond academic accomplishments. "Financial advisers are already required to pass stringent exams under the Financial Adviser Act for regulated activities. And compared with the past, most financial advisers have tertiary education," he says.

Yet many are still lacking in product, technical and investment knowledge.

Even though such knowledge can be learned over time and through training, two of the key areas that Kwok says need attention are: the level of empathy these advisers show towards their clients; and ethical standards.

"Financial advisers should observe a high ethical standard, like that of a fiduciary relationship, when dealing with their clients," he explains.

As a result, a strong regulatory regime is required to uphold the professional responsibilities of financial advisers towards consumers.

The implementation of a balanced scorecard under FAIR is a good start; financial advisers now need to consider factors other than sales when dealing with their clients.

"The financial advisory firms that hire the advisers should inculcate an ethical and professional culture," adds Kwok.

PARTNERSHIP

To meet its goals most effectively, he is also cognisant of the need for FPAS and the industry – along with any other stakeholders – to work closely.

The Association can have regular dialogue and interactions in this way by ensuring its executive committee is made up of practitioners. Plus, FPAS taps the expertise and views of a group of advisers.

Fortunately for FPAS, Kwok says it attracts volunteers who are passionate about professionalising the financial planning industry and improving financial literacy among Singaporeans.

At the same time, strategic partnerships with important stakeholders are important. FPAS has forged good working relationships with organisations like the IBF, Singapore's Central Provident Fund (CPF), the Investment Management Association of Singapore (IMAS), the Life Insurance Association of Singapore (LIA), and also the Securities Investors Association (Singapore) (SIAS).

One example Kwok highlights is FPAS' partnership with the National Trades Union Congress (NTUC) as a U Associate member.

"Through this partnership, FPAS aims to promote financial literacy to the 800,000 NTUC members," he says. ■

Filling key knowledge gaps

Given that the majority of financial advisers come from insurance sales, an important training objective is to broaden their knowledge about the products and services of all insurance companies, not just those where they have worked.

Most advisers also lack sufficient knowledge of investment products and services, adds Joseph Kwok. "As they become more complex, these planners need to be equipped with the right knowledge and insight."

Further, financial advisers need more training and education on professional ethics. "Despite the primary motivator of most advisers being financial rewards, they need to be more ethical," says Kwok.

Yet this doesn't mean just abiding by strict rules and regulations set by the regulators; they also need to uphold the professional image of all practitioners in this industry, he adds.

What hospitality staff can teach wealth managers about upskilling

David Topolewski of Qooco has found a way to make bite-sized, simulation-based, mobile learning an effective way to enhance language and communication skills, as well as productivity. Wealth management could learn a thing or two from this approach.

As an industry, wealth management has not been particularly innovative in the way it has used technology, and it doesn't tend to benchmark itself against how other service sectors embrace learning and professional development.

Yet both of these are critical to private banks and other wealth managers to address the key growth hurdle they face in Asia: not enough talent to meet the increasing demand which exists for wealth management services, and a lack of tools to enhance efficiency and productivity to the extent required to service that demand.

A good starting point in finding a new way to tackle these challenges might be to look at the hospitality industry.

It, too, has a mission to be customer-centric. Plus, the people who run hotels share a frustration in trying to encourage staff to be passionate about upskilling themselves.

"Getting most hospitality staff to be excited about learning is one of the biggest challenges in this industry," says David Topolewski, chief executive officer of Qooco.

The solution he has created since launching his mobile language and virtual training business five-and-a-half years ago, gives a sense of the type of platform and delivery channels that might just work in wealth management.

HONING IN ON HOSPITALITY

Qooco, which Topolewski founded in early 2010 in Beijing, was initially focused on children's education.

The idea to move into hospitality was borne out of a conversation he had during a trip to Jakarta.

DAVID TOPOLEWSKI
Qooco

"I was eating lunch in one of the big hotels, and I was alone because it was during Ramadan," says Topolewski. "So in having time to talk with the general manager about my business, he asked whether my technology could be used to help solve some of the issues he was facing with training his staff."

Qooco enterprise mobile solutions

Qooco Voice *- a language learning mobile app used in more than 100 luxury hotels worldwide. With department-specific content developed by hoteliers, this product focuses on improving the spoken English and Mandarin of service staff through highly effective interactive and continuous learning and is available in 14 support languages.*

Qooco Upsell *- a situational upselling training tool enabling hospitality associates to position and capture additional revenues in-hotel or on-premises, via self-paced lesson plans and Asian and European support languages.*

Qooco Link *- an internal messaging application that enables hotel managers to broadcast mobile messages to specific departments or employees via their mobile phone, desktops or tablets.*

Qooco Pro *- a cost-effective and scalable mobile vocational training solution using practical lessons that simulate real-life service scenarios, such as food and beverage services, including multiple support languages to improve service delivery standards and consistency.*

Qooco Core *- teaches employees the most commonly spoken hospitality phrases used in English and Mandarin Chinese. Daily phrases are presented like flash cards with sentence use for context and comprehension. Sophisticated speech recognition technology allows users to listen, record and replay for immediate feedback.*

As an industry accounting for about 10% of global GDP, and involving 130 million-plus people, it was clearly a compelling one for Topolewski. Plus, with high staff turnover and being very fragmented, he could immediately see the potential to leverage his solution.

There are two goals for Qooco's learning technology: first, driving guest satisfaction by improving the language and communication skills of hospitality staff; and second, boosting productivity via skills training and messaging.

The role that mobile technology plays in the solution shows the company's conviction over its importance as part of the process. "Learning is no longer than bursts of five to 10 minutes, anytime and anywhere, and on a daily basis. It has also been designed to work across different mobile platforms to help users engage with it regardless of their environment.

It also puts the user in a 3D environment to conduct tasks relevant to the hospitality industry, explains Topolewski.

"Given that people are the biggest cost, data helps create more visibility in terms of how well they are performing."

"Chinese nationals represent the largest travelling group in countries like Thailand, Bali and the Maldives," says Topolewski. "So to deliver great service, staff in the hospitality industries in these countries have to communicate more with customers."

At the same time, his offering, now also on the ground in Singapore, teaches English to staff when and where they need it. For the time-strapped hotel employee, this is a game-changer, as it allows them to learn on the way to work, during their lunch break or before bed.

"We believe that learning a language should be fun, interactive, and flexible," he adds. "We want learners to be actively engaged, so our lessons are designed to have them speaking as much as possible."

For example, on the skills side of the learning experience, there is typically a short video showing a common scenario, such as cleaning a hotel room.

This is supplemented with checklists and then a quiz to test for understanding. The user then has a 3D experience, using their finger to simulate the actions involved in performing the task.

This also enables Qooco to collect all sorts of relevant data on the learner, such as time taken and sequence used.

"Given that people are the biggest cost for this industry, this helps to create more visibility in terms of how well they are performing," adds Topolewski.

On the language side of the solution, the user has a two-way dialogue with an avatar, which provides colour-coded feedback depending on how they get on. To make it more tangible in the context of learning Mandarin, the feedback format and process also applies to the tones used.

training is a good thing for these individuals to do, to help them advance their careers.

But most effective in motivating users are incentives, so they can share upside.

a dessert, these can be rewarded. Another way to get users to pay attention to and implement the learning is also through what Topolewski calls the "stick" approach.

"Either way, ultimately our goal is to show that our training can provide enough of a financial return so that senior management will insist on this as a way to upskill their staff," he adds.

The next step for the technology includes predictive analytics. This gives management the information to determine if they need to intervene for a particular staff member to get them on track again, explains Topolewski.

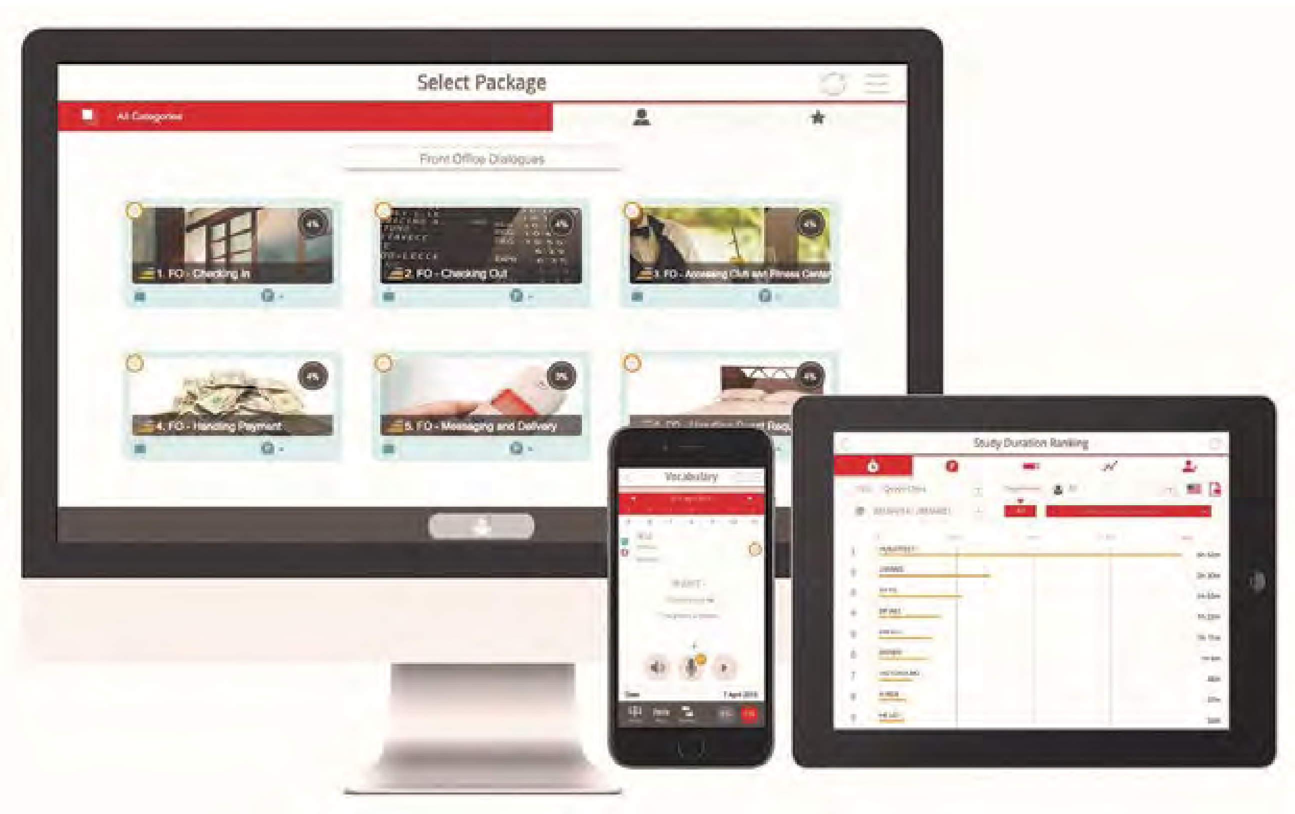
"Ultimately our goal is to show that our training can provide enough of a financial return so that senior management will insist on this as a way to upskill their staff."

MONETISING LEARNING

The gamification aspect to this learning experience makes it more engaging, supported by guidance about why the

For example, if the receptionist can up-sell a guest to a more expensive room, or if a waiter can encourage a customer to order something extra with

"This creates a powerful training tool, where a learner can practise with a custome what they have learnt based on real data and insights."



Hubbis at-a-glance

We focus on the Asian wealth management industry and produce high-quality, localised content that is practical and independent. This includes news, articles, research, reports and conference-related content, and is available in multiple formats including video, web and print. The Hubbis e-learning platform consolidates this wealth of knowledge into an indispensable training and development resource for all professionals.

What we do

Events
Presentations
Thought leadership

Publications
News & videos
Online content

Online learning
Case studies
Assessments

Topics we cover

- REGULATION & COMPLIANCE
- SKILLS
- INVESTMENTS
- STRATEGY & BUSINESS
- FAMILY WEALTH
- TECHNOLOGY

Who it is for

Hubbis offers a unique platform that brings together content, thought-leadership and collaboration - to challenge and provoke conventional thinking, with an aim to innovate and improve the Asian wealth management industry across the following segments: Private Banks, Independent Wealth Management, Retail Banks, Asset Management, Insurance, Technology, Professional Services. Through our events and content channels, we reach senior management, business heads and other key stakeholders from the top international, regional and domestic organisations.

Key highlights

- **120,000** monthly unique website visitors
- Weekly email newsletter to over **34,000** regional & global professionals through our proprietary database
- More than **10** annual publications
- Dozens of thought-leadership discussions and surveys featured
- 80+ proprietary training courses and over 200 hours of live learning content

hubbis

Keeping pace with the Philippines' wealth growth

The country's fast-growing personal wealth threatens to outpace development of its wealth management industry. Banks and other organisations have much to do to catch up.

The Philippines' rapid growth in personal wealth over the last five to 10 years looks set to continue.

Wealth management providers and other industry stakeholders need to cater to this by educating investors about diversification and providing the products to match.

According to Josefina Tuplano, executive vice president and group head of the Trust Banking Group at Metropolitan Bank & Trust, the industry has a lot more to do to keep pace with wealth growth.

"A lot of wealth has been accumulated over the last five or 10 years. However, if you look at the degree to which wealth has accumulated versus the level of education about how to grow that wealth, a lot more needs to be done."

"If you look at the degree to which wealth has accumulated versus the level of education about how to grow that wealth, a lot more needs to be done."

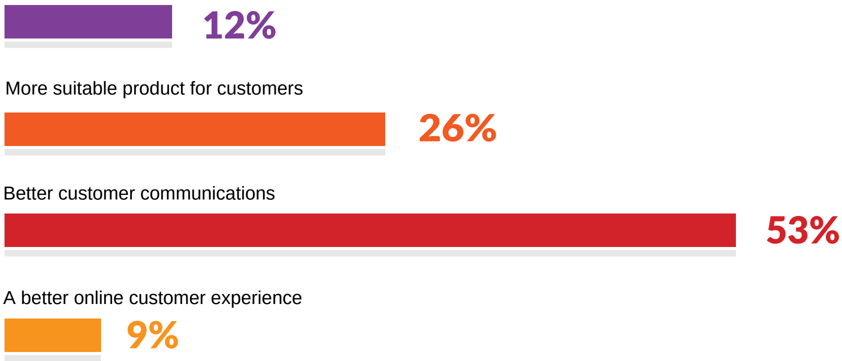
JOSEFINA TUPLANO
Metropolitan Bank & Trust

"The patriarch and the matriarch will tend to be very conservative. But for their children, investing in the stock market comes naturally."

According to Ador Abrogena, executive vice president and head of BDO Unibank's Trust & Investments Group, Filipinos tend to be far more active savers than investors. The fact that the majority of wealth is in the hands of

> **"The next generation will want investments that provide a better return and will be more willing to take on risk."**
>
> **ADOR ABROGENA**
> BDO Unibank

WHAT SHOULD BE THE BIGGEST PRIORITY TO DEVELOP THE INDUSTRY?



Source: Hubbis, Philippines Wealth Management Forum 2015

people aged 50 or older is a major reason for this natural conservatism, he believes, although adds that an up-and-coming generation of over 30s is likely to start taking a greater interest in investment products.

"If you talk about wealth management in terms of creating a portfolio, this is still a very small part of the market," he says.

"There is a lot of money coming into the Philippines and people here are beginning to look at financial assets as part of their portfolios. [The industry in this country] will grow much faster than in developed nations."

KEEPING PACE

Robert Ramos, first vice president and trust officer, trust & investment Services Group at Union Bank of the Philippines, agrees, pointing in particular to the growth of wealth that is coming from family businesses.

"The patriarch and the matriarch will tend to be very conservative and rather invest in property or time deposits," he says. "But for their children investing in the stock market comes naturally."

This is reflected in the sustained growth of the Philippines' unit investment trust fund (UITF) industry, which has increased its total AUM from PHP260 billion (USD5.76 billion) in 1995 to about PHP2.6 trillion today.

About half of this money has come in since 2008, notes Christmas Sevilla, head of wealth management of BPI Asset Management's Trust Group. "This coincided with the financial crisis, after which some of the money that had been

> **"If you raise investor awareness, suitability becomes easier to manage, and choosing the right product and the right bank or asset manager becomes simpler."**
>
> **ROBERT RAMOS**
> Union Bank of the Philippines

invested outside the Philippines came back in, as well as the introduction of the SDA (special deposit accounts) to retail investors," she says.

The accounts, introduced by the central bank (BSP) in 1998 to manage liquidity, were opened up to retail investment via trusts in 2007. They paid high rates of interest, so initially attracted a substantial amount of investment through Philippines' trust banks.

However, over the last few years the SDA have become less attractive due to interest rate cuts and some moves by the BSP to limit retail investment in them.

"Even if you feel SDAs were a double-edged sword, [at least] they opened the mind of the time depositor to the option of investing in something that was not guaranteed," adds Sevilla.

"The challenge for the wealth management industry is to educate people and continue to open their minds to investment options."

"Even if you feel SDAs were a double-edged sword, at least they opened the mind of the time depositor to the option of investing in something that was not guaranteed."

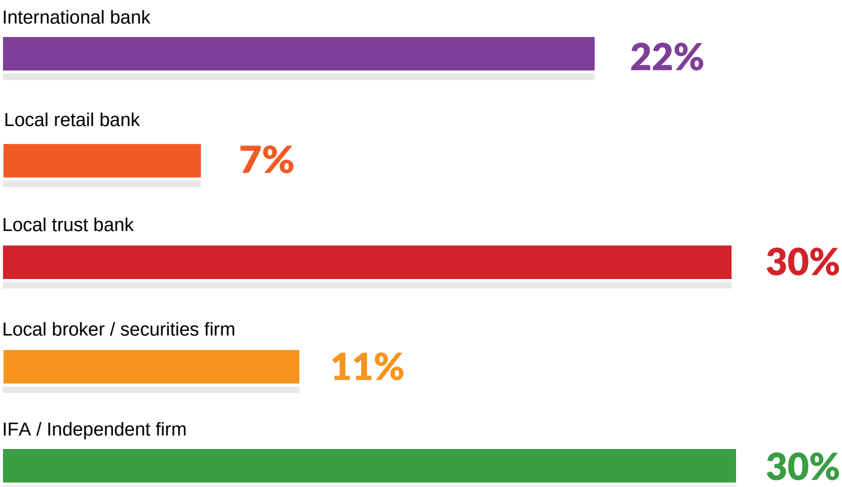
CHRISTMAS SEVILLA
BPI Asset Management

"The challenge for the wealth management industry is to educate people and continue to open their minds to investment options."

According to Carina Laforteza, partner at SyCip Salazar Hernandez & Gatmaitan, there is also a need to educate the wealthy about the potential tax benefits of investing, although this can be difficult because of a lack of clarity.

"We have seen new investment products, but the regulatory or tax implications of going into them have not been fully set out," she says. "Also, a lot of families are looking at [setting up] trusts but the law is not really as defined here as it is in other countries."

WHO WOULD YOU RATHER WORK FOR?



Source: Hubbis, Philippines Wealth Management Forum 2015

PRODUCT DIVERSITY

In a sentiment poll at Hubbis' event in Manila in May 2015, the audience had to choose the most effective way for wealth managers in the Philippines to differentiate themselves. The result was quite evenly split, with investment performance taking 28% of the vote, loyalty/client stickiness 22%, inter-

"We have seen new investment products, but the regulatory or tax implications of investing in them have not been fully set out."

CARINA LAFORTEZA
SyCip Salazar Hernandez & Gatmaitan

"Performance is an important factor, but investment products should not only generate a decent return, they should also match clients' risk appetites."

generational wealth services 19%, mobile and digital platform 17%, and culture 14%. Practitioners agree performance is an important factor, but are keener to stress that investment products should not only generate decent returns, they should also match clients' risk appetite.

In another sentiment poll, the audience was asked which of four factors development of the wealth management industry should prioritise. Opinion was more decisive, with 53% – more than double the next highest number – voting for "more suitable products".

"There needs to be a variety of products for investors to choose that match their risk appetite," agrees Abrogena. "The next generation will want investments that provide a better return and will be more willing to take on risk."

The main investment options at the current stage of development in the Philippines are UITFs, mutual funds, variable unit-linked products, swaps, and feeder funds, he adds.

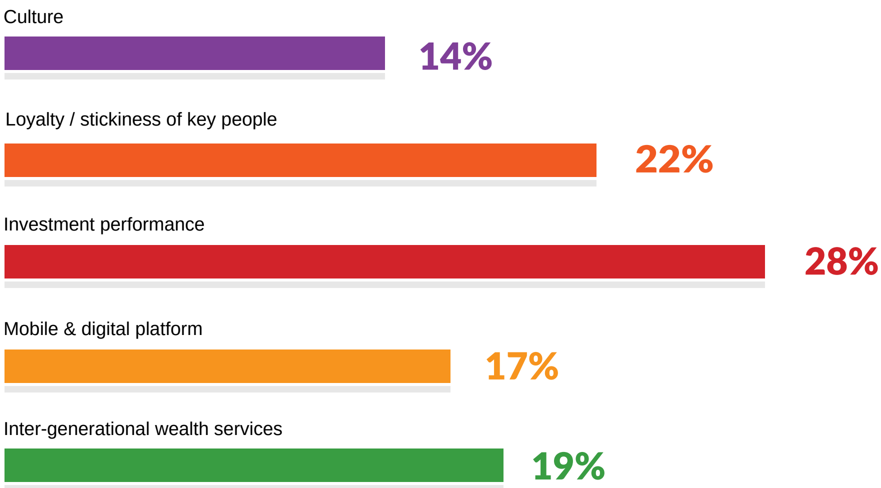
Sevilla notes that wealth management providers could choose to try to make clients fit the product, or products fit the client, but either way need to help investors understand precisely what they are getting into.

"Sometimes they will not know what is suitable for them so it is up to the provider to help and show them what is best for their needs according to their stage in life," she says.

Overcoming the natural conservatism of investors would be a vital element of this, believes Ramos.

"We need the general public to be knowledgeable about investment. If you raise awareness, suitability becomes easier to manage, and choosing the right product and the right bank or asset manager becomes simpler." ■

WHAT IS THE MOST EFFECTIVE WAY BANKS DIFFERENTIATE THEMSELVES IN THE PHILIPPINES?



Source: Hubbis, Philippines Wealth Management Forum 2015

Partnerships and fit-for-purpose products to drive growth in Asia

Given Asia's ageing population, combined with a need to tailor products for the region's wealth creators, asset managers must have reliable and reputable distribution partners plus better understanding of local appetite, says Stan Beckers of NN Investment Partners.

"The Asian market is one for asset managers to watch. Economic growth is enriching the region, fueling a burgeoning class of high net-worth individuals to create what will become one of the largest wealth markets in the world.

"But with a rapidly ageing population, new regulations, and evolving client needs, the asset managers most likely to succeed are those who understand those demands and to respond to them," says Stan Beckers, CEO of NN Investment Partners (NN IP).

"There are a number of important trends driving the evolution of the asset management industry in Asia – and across the globe," he says. "Among the more obvious ones is the fact that the developed world is getting older.

"The impact of this in Asia is especially significant with expectations that the number of elderly men and women will triple over the next 50 years."

The ageing population of Asia will face a number of specific challenges that will have a profound impact on their wealth creation. One particular challenge is the desire to pass on their newfound wealth to future generations while also dealing with government retrenchment. Beckers says the opportunity for asset managers will be to meet a need for a more individual and tailored approach, to help secure their financial future.

"The models that will succeed are those that have an individual need-based service concept catering to the client's needs," he states, citing DIY solutions and fit-for-purpose products as likely tools that will be developed to help respond to this demand and ultimately drive growth.

STAN BECKERS
NN Investment Partners

TRENDS SHAPING DYNAMICS

Beckers says other important trends helping to shape the dynamics in Asia for asset managers include demands by regulators and clients for more transparency while digitalisation is leading to new methods of product distribution that create both opportunities and further challenges.

FinIQ
The Financial Engineering Company

ABOUT US

PRODUCT OFFERINGS

- FinIQ is a Singapore based banking software provider. The FinIQ system is currently used by over 10,000 bankers spread across 60 banks in Asia.
- Over the last decade, we have enabled 25 different banking groups with their treasury, investments and structured product distribution leading to unprecedented revenue growth for our clients.
- Our solutions have the right emphasis on ease-of-use, workflow management, pricing efficiency, trade execution and post trade event management.
- Besides our wealth management offerings, we also automate retail branch network, corporate sales, share custody, option trading and various other workflows.

RICH FUNCTIONALITY

MILESTONES

2003
Worldwide interest rate crashed. FinIQ became first FX-option linked yield enhancement product platform to offer investment alternatives

2007
FinIQ launched end-to-end functionality for equity linked derivatives and investment products

2010
FinIQ structured product platform became widely used platform across Asia. FinIQ also launched compliance & client suitability frameworks

2012
Having succeeded in structured products FinIQ launched a range of cash FX, bonds, equities and other traditional products

2014
Cloud based SaaS live. FinIQ became worlds first multi-dealer multi-asset trading solution for Private Banks

Financial Industry In 2020

Structured products will be more bespoke with clients demanding increasing degree of freedom.

Real challenge will lie in how to deal with the non-standard products without software changes.

FinIQ's future-proof design allows banks to customize the products and workflows at will.

GLOBAL FOOTPRINT

Hong Kong | London | Bangkok | Kuala Lumpur | Melbourne | Singapore | Pune | Taipei

On top of these opportunities, debates about performance, the shortening of evaluation horizons and an ongoing search for yield will all continue to play a role at the same time that the popularity of passive products tests active managers. “In our investment approach we remain committed to active management, as this is where our capabilities lie and where we see growth possibilities,” says Beckers.

The company sees this as all being part of moving along with changing times. “For example, when it comes to topics like digitalisation and big data, we’re investigating how we can take advantage of them and take our business forward,” Beckers says, again emphasising that the company remains committed to active management.

He is confident that NN Investment Partners – which rebranded from the name ING Investment Management earlier this year – is well equipped to succeed in Asia.

“Drawing on our European heritage and history we have established an expertise that can be leveraged in other markets as well. The experience we have in providing solutions in Europe is a good foundation for building customised solutions to meet the needs of Asian clients,” he says, explaining similarities between Europe’s pensions systems and those in Asia.

Beckers notes that NN Investment Partners – which has centered its Asian activities in Japan and Singapore to cover the entire region – already has a lot of experience in developing individualised solutions.

“We have long been adapting and adopting, and have developed tailored products from a client need perspective,” he says.

“We believe we have the right tools and knowledge to meet clients’ needs within the search for yield in markets that are less efficient,” Beckers explains.

Among those tools are multi-asset and absolute return products that enable financial planners to service clients more easily.

Demand for these kinds of products is growing, he points out, noting the end result could be tailor-made solutions for specific distributors or client groups.

who are well placed to assess the needs of their clients and communicate with them in their own language.

Building the new company identity will play an important role in the success of these partnerships, especially given the increasing importance clients place on choosing a trusted brand.

“We are maintaining and building partnerships out of the new NN Investment Partners brand. This stems from our belief that we have always felt that lasting partnerships and the best results are built around sharing our clients’ interests and concerns,” Beckers states.

“We believe we have the right tools and knowledge to meet clients’ needs within the search for yield in markets that are less efficient.”

PARTNERSHIPS KEY TO SUCCESS

Beckers says that at the end of the day, it’s building successful partnerships in the region that will be the key to attaining success.

“While opportunity lies for us in ensuring that we are flexible enough to cater to the needs of the local market, it’s even more important that we have the ability to develop partnerships with renowned and recognised parties in the region,” he says.

Building partnerships with local distributors in Asia allows NN Investment Partners to benefit from distributors

He says that as NN Investment Partners carves out a place for itself in Asia, the company will continue developing need-based, tailored client solutions.

It intends to continue utilising its knowledge and track record in managing liquid and illiquid assets to generate income, deliver multi-strategy investments and conduct fiduciary innovation. The company believes this approach will serve it well in the region.

“Asia certainly provides many opportunities for us,” Beckers says. “And we believe that we have the capabilities to service these markets.” ■

ABACUS ASIA™

Wealth Management Pte. Ltd.

博时财富顾问

WEALTH ADVISORY | MULTI-FAMILY OFFICE| DISCRETIONARY PORTFOLIO | FUND MANAGEMENT

For further enquiries, please contact: **enquire@abacusasia-wealth.com**

7 Temasek Boulevard, Suntec Tower 1 #08-01 Singapore 038987 |Tel: +65 3152 0350 | Fax: +65 3152 0356

Patience to pay off in China

Ron Lee of Goldman Sachs explains the drivers behind the bank's targeted strategy in China, and why it is now well-positioned for its cross-platform capabilities to bring the country's ultra-wealthy more sophisticated solutions, both at home and abroad.

More than 10 years since Goldman Sachs went onshore in China, the long-awaited potential of providing real wealth management solutions to the country's ultra-wealthy is now more of a reality than ever before.

The bank was inspired in the early 2000s to apply for its licence in the wake of the privatisation wave of state-owned enterprises and general opening of China's economy a decade before that. Although the much-anticipated liberalisation of the capital markets and currency has taken longer than first thought to materialise, all that matters to Ron Lee is that it is finally happening.

This fits with the long-term vision that he and the bank share in arguably the world's most promising wealth management market.

"We didn't get the licence as part of a 10-year strategy," explains Lee, head of private wealth management for Goldman Sachs in Asia Pacific. "We intend to be there for decades to come," he adds.

Finally, driven by the all-pervasive regulatory reforms inside and outside the country, UHNW clients are seeking advice and solutions – rather than just individual products.

And as they look at all aspects of how they now manage and protect their business and personal assets in China and overseas, Lee and his bankers believe they are well-placed to meet those needs.

RON LEE
Goldman Sachs

CHINA COMPELLING

Lee is confident that the strategy and value proposition he has in China is different from that of his competitors at the same level.

For a start, Goldman Sachs Private Wealth Management focuses exclusively on UHNW clients with over USD100 million in net worth. Plus, it purposely keeps the number of client relationships per adviser low, with each looking after around 20 to 30 clients.

The aim is to give them the benefits of the expertise and scope of the bank's total offering. "We offer a one-firm approach to clients, who can access our investment banking platform, private investing opportunities and investment solutions managed by Goldman Sachs and carefully-vetted external managers," explains Lee.

This means getting private equity opportunities as well as cutting-edge trading ideas and other deals.

alisation, Shanghai-Hong Kong Stock Connect and Mutual Fund Recognition present interesting opportunities.

And these are potentially just the tip of the iceberg.

Next on the regulatory agenda for discussion, awaiting the fine-print, is QDII2 – the Qualified Domestic Individual Investor programme, the second iteration of a scheme whose first version was limited to institutions.

"The deeper pool of liquidity being created ... via the opening of the capital markets, drives our business."

But while Lee's team taps into the pipeline from the bank's capital markets franchise, this is a small sub-set of his overall business. "The much bigger part is the linkage between the opening up of China's capital markets and our private wealth capabilities. The deeper pool of liquidity being created by individuals, via the opening of the capital markets, drives our business."

IN NEED OF ADVICE

The tide certainly seems to be flowing in the direction of the bank's private wealth offering to its Chinese clients. This is a result of a combination of slowing growth rates, and uncertainty over the environment in which HNW individuals operate, says Lee. At the same time, the rapid pace of reform is leading to an accelerating level of sophistication among clients.

In addition to the opening up of the capital markets and RMB internation-

"Day by day we see UHNW individuals being more and more thoughtful about wealth management," says Lee. "We are moving from clients wanting ideas to seeking solutions."

He welcomes this as a positive evolution from the days when these individuals were simply interested in stock tips or funds to invest in.

It breeds far more interesting conversations, which in turn enable the bank to add real value, he adds. For example, clients are dealing with issues relating to competitive pressures on their business; or the fact that their kids don't really want to run it in the future; or concerns about investment opportunities being limited or over-valued.

But to respond to this type of "what should I do?" question requires a certain amount of expertise, combined with experience offshore as well as onshore.

It calls on Lee and his bankers to weave together the various threads of conversation from inter-generational, trust and estate planning, to the investment profile and objective, to capital markets deals, to provide guidance on what clients might want to do with their underlying business exposure.

"Our clients have created their wealth and want to preserve it, so they need to understand how to achieve this," says Lee. "It then becomes a different engagement based on providing them with solutions, not just selling products."

CONNECTING THE DOTS

Today's more transparent world, coupled with the evolution of the market structure and regulatory framework which increase the flow of Chinese UHNW clients overseas, trigger questions and a need for advice that also play to Lee's value proposition.

"The way we deal with these dynamics is by having aspirations to be more local than global competitors, and more global than local competitors," he says.

For example, with a team of bankers in China, Lee has a larger onshore presence than most of his competitors targeting the same client segment. "This is our attempt to be more local than our global competitors. We don't need to fly in and out to service clients."

On the flipside, the bank is not trying to compete with A-Share brokerage firms, opting instead to work with clients on their global ambitions for their business and investments.

"Our connectivity to different geographies and markets is greater than our local competitors can provide," he says. "It enables us to connect the dots." ■

Hubbis online learning

We help practitioners meet their professional education obligations via e-learning, event presentations, video Q&As, books & publications, forums and thought-leadership.

80+ courses

E-learning modules

Hubbis offers 80+ proprietary training courses covering core topics relevant to building and improving effective & appropriate advisory skills in an Asian industry context. The Hubbis syllabus covers major product, skills & compliance topics.

200+ hours

Presentations, video Q&As, books & publications

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

Analyse results

Reporting

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

Learning modules

Our courses are developed to cover the below content topics:

- REGULATION & COMPLIANCE
- INVESTMENTS
- SKILLS
- FAMILY WEALTH
- STRATEGY & BUSINESS
- LIVE-LEARNING

Our learning platform

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

LEARNING PLAN

↓

Online courses

↓

Tracking

↓

Reporting

↓

Consolidated record

Online

Simple access through an internet portal that is available 24 hours a day, 365 days a year. You will have access to 80+ engaging e-learning courses that enable users to conveniently earn CPT / CPD points.

Tracking

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

Reporting

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

Records

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

Meeting your critical compliance requirements

People and firms who supported this publication

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

PEOPLE QUOTED

ADVERTISERS

HUBBIS PROJECTS 2016

JANUARY

Forum
Compliance in Asian Wealth Management Forum
Thursday 21st January, Pan Pacific, Singapore

Publication
Asset Management Yearbook

FEBRUARY

Forum
Middle East Wealth Management Forum
Tuesday 16th February, Ritz Carlton, Dubai

Forum
Asian Wealth Management Forum
Tuesday 23rd February, Conrad, Hong Kong

MARCH

Forum
Independent Wealth Management Forum
Thursday 10th March, Pan Pacific, Singapore

High-Impact Briefing
Commodities
Tuesday 15th March, Hong Kong

Publication
Independent Wealth Management in Asia

Publication
Wealth Management in the Middle East

APRIL

Forum
Indian Family Wealth Forum
Wednesday 6th April, Sofitel BKC, Mumbai

High-Impact Briefing
Income strategies
Thursday 14th April, Singapore

High-Impact Briefing
Real assets
Tuesday 26th April, Hong Kong

Publication
Family Wealth in Asia

Publication
Digital Wealth - Asia

MAY

High-Impact Briefing
Commodities
Tuesday 10th May, Singapore

Forum
Asian Wealth Management Forum
Thursday 12th May, Pan Pacific, Singapore

Forum
Thailand Wealth Management Forum
Thursday 19th May, Conrad Hotel, Bangkok

Forum
Philippines Wealth Management Forum
Thursday 26th May, Shangri-La Hotel, Manila

Publication
Indian Family Wealth

JUNE

Forum
Structured Products Forum
Thursday 2nd June, Pan Pacific, Singapore

High-Impact Briefing
DPM
Tuesday 14th June, Singapore

Forum
Digital Wealth - Asia
Thursday 16th June, Pan Pacific, Singapore

Publication
Swiss Private Banking & Wealth Management

Publication
Wealth Management in the Philippines

JULY

Forum
Malaysian Wealth Management Forum
Tuesday 12th July, Le Meridien, Kuala Lumpur

Publication
Wealth Management in Asia

Publication
Wealth Management in Malaysia

Publication
Islamic Wealth Management

AUGUST

Forum
Indian Wealth Management Forum
Thursday 25th August, Sofitel BKC, Mumbai

SEPTEMBER

Forum
Structured Products Forum
Thursday 1st September, Conrad Hotel, Hong Kong

High-Impact Briefing
Income strategies
Tuesday 6th September, Hong Kong

Forum
Vietnam Wealth Management Forum
Thursday 8th September, Melia Hotel, Hanoi

Forum
Wealth THINK
Tuesday 20th September, Pan Pacific, Singapore

OCTOBER

High-Impact Briefing
Alternative investments
Thursday 13th October, Singapore

Forum
Indonesian Wealth Management Forum
Thursday 20th October, Shangri-La Hotel, Jakarta

Forum
SWISS-ASIA Wealth Exchange
Tuesday 25th October, ConventionPoint, Zurich

High-Impact Briefing
DPM
Wednesday 26th October, Hong Kong

Publication
Special Report on Insurance in Asia

Publication
Wealth Management in India

NOVEMBER

Forum
Asian Family Wealth Forum
Thursday 3rd November, Pan Pacific, Singapore

Forum
Digital Wealth - Asia
Thursday 10th November, Four Seasons Hotel, Hong Kong

Forum
Taiwan Wealth Management Forum
Tuesday 22nd November, Le Meridien, Taipei

Forum
China Wealth Management Forum
Thursday 24th November, Grand Hyatt, Shanghai

Publication
SWISS-ASIA Wealth Exchange

Publication
Wealth Planning

DECEMBER

High-Impact Briefing
Real assets
Thursday 1st December, Singapore

High-Impact Briefing
Independent wealth management update
Tuesday 6th December, Hong Kong

High-Impact Briefing
Independent wealth management update
Thursday 8th December, Singapore

Publication
Wealth Management in China