WEALTH MANAGEMENT IN MALAYSIA

hubbis

August 2014

FOREWORD

This is the inaugural edition of a new Hubbis publication that will become the benchmark annual overview and outlook for the wealth management industry in Malaysia.

We are producing this against the backdrop of the growth in this space and its potential to develop further. This is based on the increasing wealth in the country and clients' evolving needs – such as those relating to investment, diversification, succession planning and wealth transfer.

With increases in both the number of individuals and the amount of wealth in the each of the mass affluent, high net worth and ultra high net worth segments, there is enormous scope for banks and other advisory firms with the commitment to developing their businesses. And it doesn't stop at the domestic shores – Malaysia is playing an increasingly important role in ASEAN and internationally. Its financial institutions are expanding their footprint and developing better global connectivity.

Exciting opportunities exist the other way, too. As the Malaysian government strives to boost investment and encourage a more stable and inclusive financial system, among its various initiatives are fund passporting and the ability for foreign firms to now fully own domestic unit trust management companies.

The emphasis on a stronger product offering onshore, alongside a more educated investor bases, plus developing – and retaining – a larger and more knowledgeable and experienced pool of advisers, is intended to take wealth management in Malaysia to the next level. When combined with advances through a greater engagement of technology and digital channels, this is becoming more of a reality.

In line with these developments, this publication aims to showcase the country as an important and evolving regional wealth hub, as a centre of excellence, and for its commitment to developing its role as the global Islamic finance headquarters. The content covers the following sectors: private banking, retail wealth management, asset management, insurance companies, Islamic wealth management and IFAs. It reveals how the leading players are striving to differentiate their product and service offerings to stand out and grow.

I hope you enjoy reading these insights and derive value from them. Please do send me your feedback to editor@hubbis.com.

Andrew Crooke
Editor
Hubbis








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68,000

"It is estimated that the number of HNW individuals in Malaysia will more than double from its current 32,000 to 68,000 in 2015."
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43%

"43% of an audience of senior market practitioners opted for 'knowledge levels of advisers - and clients' as the biggest hurdle to further enhancing industry credibility in Malaysia."
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RM100 bn

"RHB Group wants to grow its RM48 billion in assets under management to RM100 billion by the end of 2018."
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85%

"85% of AIA's new life planners in 2013 were aged between 25 and 35."
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US$18 bn

"Islamic asset management accounts for roughly US$18 billion in AUM in the unit trust / wholesale funds industry, via a mix of local and foreign names holding around 20 Islamic fund management licenses."
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440

"There are only around 440 licensed financial planners in Malaysia."
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TAKING MALAYSIAN WEALTH MANAGEMENT TO THE NEXT LEVEL

MALAYSIA HAS BIG AMBITIONS IN CREATING A LARGER WEALTH MANAGEMENT INDUSTRY THAT IS RECOGNISED INTERNATIONALLY FOR THE QUALITY OF ITS PEOPLE, PRODUCTS, PLATFORMS AND CLIENT SERVICE. POSITIVE STEPS ARE BEING TAKEN, BUT IT IS A LONG JOURNEY AND IT WILL TAKE TIME FOR THE VARIOUS COMPONENTS TO FALL INTO PLACE.

Shi Jie Ong
OCBC Bank

"We need to have clear principles about how to take the industry forward"

There are many reasons to be optimistic about the future of wealth management in Malaysia.

Growing numbers of wealthy individuals at the mass affluent, high net worth (HNW) and ultra high net worth (UHNW) levels are luring a larger number of banks, independent firms and other advisers to launch or enhance their range of products and services specifically targeting one or more of these client segments.

Further, a big commitment that local banks are showing, is the willingness to invest in their platforms. That is in terms of the product offering, online portal, and client communications, to enhance the overall customer proposition and experience, and ensure they can meet rising expectations.

The regulators are also eager to lay foundations that they think are conducive to supporting the evolution of the market, for example by facilitating an increase in inflows and outflows of capital and expertise.

Yet patience is needed. Market participants from across the spectrum need to first put in place the components of long-term success and sustainability.

For many industry players, that means moving beyond the product-driven approach that shapes how many firms and advisers operate.

It also requires a more determined, co-ordinated and consistent effort to raise competency standards, broaden discussions with clients from wealth creation strategies to cover preservation, succession planning and, ultimately, retain more relationships onshore.

Being positioned to capitalise on such a large opportunity also takes commitment to developing a sustainable and profitable business that can differentiate by products and services.

As a result, the industry is at the stage where regulators and practitioners must now make important decisions about its future.

Either they must facilitate a true regional centre of excellence by driving a more solution-based, service-oriented culture with clients' interests at the forefront – or continue seeking the short-term economic benefits of selling products.

CARVING OUT OPPORTUNITIES AND SEGMENTATION

Each wealth management provider has its own customer segmentation, typically by AUM, for which they provide a diversified range of products to suit that category.

Mass market, or core banking, tends to mean customers with AUM of less than RM100,000. For most banks, to be able to offer structured investments, the customer needs to be a HNW individual with more than RM3 million in AUM, excluding their primary residence.

The segment which caters for AUM of more than RM500,000 will offer DCIs, equity-linked investments and other short-term structured investments.

One of the attractions for banks to create more bespoke offerings to HNW individuals has been that they can also target clients with whom they have business banking accounts but where they might not do any personal banking for them.

The numbers are meaningful, too. Estimates are that the population of HNW individuals in Malaysia will double from its current 32,000 to 68,000 in 2015; with their net worth increasing from US$140 billion to US$330 billion.

At the highest end of the spectrum, the number of UHNW individuals in Malaysia is expected to increase by 33% over the next 10 years to 739 by 2023 from 557 in 2013, according to Knight Frank's The Wealth Report 2014. Further, it said the number of UHNW individuals in Malaysia increased by 2% between 2012 and 2013 with nine new individuals joining the ranks of those with US$30 million (RM100 million) or more in net assets.

It is clear that the various wealth segments have attracted a growing number of banks eager to win a share of this market.

Paul Lewis

AmBank Group

"We see a big future in priority banking from our mass market base because of the growth in emerging affluent customers and small business owners"

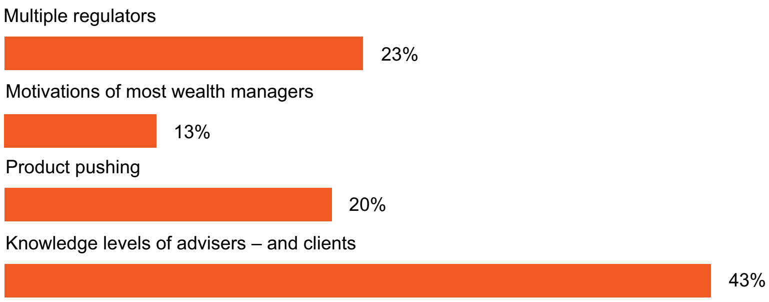
But being successful is all about prioritising what's on offer, rather than trying to be all things to all customers.

The increasing importance of wealth management to Ambank Group, for example, is spurring the organisation to develop its name in this segment. Initially, it is looking to do this by delivering a cost-efficient service via a commoditised product offering, explains Paul Lewis, its managing director of retail banking.

The rationale, he explains, is building an offering that specifically caters to the bank's customer base of mass affluent individuals. "We see a big future in priority banking from our mass market base because of the growth in emerging affluent customers and small business owners," says Lewis.

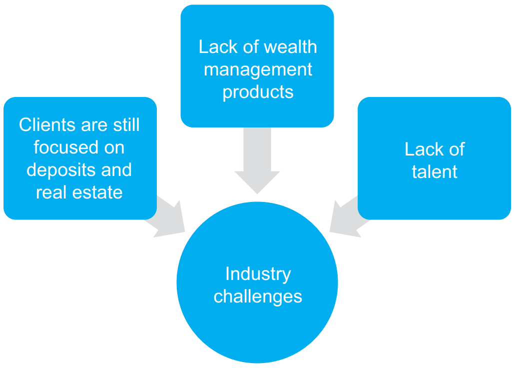
Around 70% of the bank's deposits come from affluent individuals, and it is looking to offer additional services and products such as funds and dual currency investments to retain customers and deepen its share of wallet. "It is very important for us to focus on

WHAT'S THE BIGGEST HURDLE TO FURTHER ENHANCING INDUSTRY CREDIBILITY IN MALAYSIA?



Source: Hubbis Malaysian Wealth Management Forum 2014

MALAYSIA'S WEALTH MANAGEMENT CHALLENGES



Source: MILSTE

getting right a cost-efficient service through commoditised products as a starting point," he explains.

Shan Saeed, chief economist of IQI Group, agrees that to be successful in Malaysia depends on positioning in the minds of consumers.

"It's not about strategy, product or how smart you are," he says. "It is about gathering intelligence on your customers, competitors and the regulatory framework, to then be able to find the right target group and compete."

IN NEED OF GREATER COORDINATION

Perhaps one of the most encouraging developments for Malaysia's wealth sector has been the government's recent economic transformation initiative. It stated it wants to ensure that, by 2020, wealth management is one of the key industries in the country.

However, there are various challenges in getting there. For instance, Malaysia is one of several jurisdictions in Asia blighted by the lack of cohesion among various players and types of organisations operating across the wealth management industry. To date, firms representing different customer segments and business models haven't come together formerly to talk to each other.

An obvious side-effect has been a lack of a united or consistent voice to make regulators aware of industry needs. These include understanding the difficulty of carrying multiple products, plus dealing with various regulations and multiple authorities across different lines of business.

The existence of multi-level agencies also leads to confusion for clients. Gathering input from different industries and viewpoints, say market practitioners, is vital to fill a gap in understanding about each other's issues. For example, the regulators tend to have a reasonable dialogue with the product side of the organisation, but more is needed with the distributors to canvass views on what would work and how best to implement it.

This highlights the extent to which wealth management still being organised along product lines – which, says Shi Jie Ong, head of wealth management for OCBC Bank in Malaysia, is the fundamental issue. "We need to have clear principles about how to take the industry forward," she explains.

There is also a need for more competition, she adds. "Competition drives innovation. If you have more competition, it encourages the creation of relevant products to address the needs of different segments. It will be a better way to grow the talent pool as well."

In Ong's view, the industry has been suffering a loss of talent because it is not as developed as in some of the hubs around Asia, such as Singapore and Hong Kong.

Salman Haider

JPMorgan Private Bank

"It is up to individual firms to make sure their compensation models are client-centric, to be able to move away from product pushing"

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Advisers need a broader range of products and services if they are to be encouraged to stay onshore, she says. However, she adds that there is some maturing taking place to cover different asset classes and more geographies. This is important to build credibility, both for themselves and the industry as a whole.

A more open market might also help slow the exodus of funds offshore.

Since mass affluent, HNW and UHNW clients are all exposed to global opportunities and solutions available in places like Singapore, Hong Kong and beyond, if the local industry cannot provide clients with similar options, it won't be able to manage an important – and growing – part of their wealth.

And once a relationship goes offshore, it is difficult to bring clients back to Malaysia, say practitioners.

Although the regulators are aware of this issue, it is a challenge to create an equal system to allow Malaysian professionals to manage clients' wealth and improve standards on par with some of the international centres.

Salman Haider, managing director and head of South-east Asia at JPMorgan Private Bank, views the market opportunity from three perspectives.

First, he says Malaysia is a hub for Islamic finance in the region, so it needs to focus on how it can extend its reach in this area across region.

"Malaysian banks need to think about how they can serve the 250 million Indonesians, for example," he says.

Secondly, given Malaysia's ageing population, Haider says there is a need for retirement solutions. Developing these onshore is therefore the way forward. Yet he says compared with Singapore, for instance, Malaysia is at least 10 years behind where it should be in terms of product innovation.

Thirdly, he adds, while investors in North Asia tend to have a strong home bias, there is more willingness in South-east Asia to look globally.

"Regulators should work with banks to play a bigger role in this way," he says.

A NEED TO ENHANCE CREDIBILITY

An example of the extent of the challenge confronting wealth management in Malaysia can be heard via the opinion of various industry practitioners – that there is a credibility shortfall.

And in a sentiment poll taken in June 2014 at Hubbis' annual industry conference for the domestic market, 86% of the 100 senior practitioners from private banks, consumer banks, IFAs and insurance companies cited either regulatory overlap, a product-pushing culture, or adviser and client knowledge levels as the biggest hurdle to enhancing credibility.

Being able to overcome these to move the industry forward ultimately depends on how organised the various participants are as an industry.

For example, says Ong at OCBC, today there are a lot of product channels and many of them serve a single product.

"The perception of customers is that we are 'product pushers', but it is just because of how the industry is set up," she explains.

Yet it is up to individual firms to make sure their compensation models are client-centric, which would enable to move away from product pushing, explains Haider.

More specifically, in private, there is broad agreement that the sales and advisory process which many banks and other players follow needs to incorporate a greater focus on the role, application and importance of ethics as the starting point.

Yet to support this, there is a requirement on senior management to build the infrastructure to ensure individuals at the front line approach sales in the right way.

That involves an expansion of key performance indicators (KPIs) away from being focused on sales and AUM.

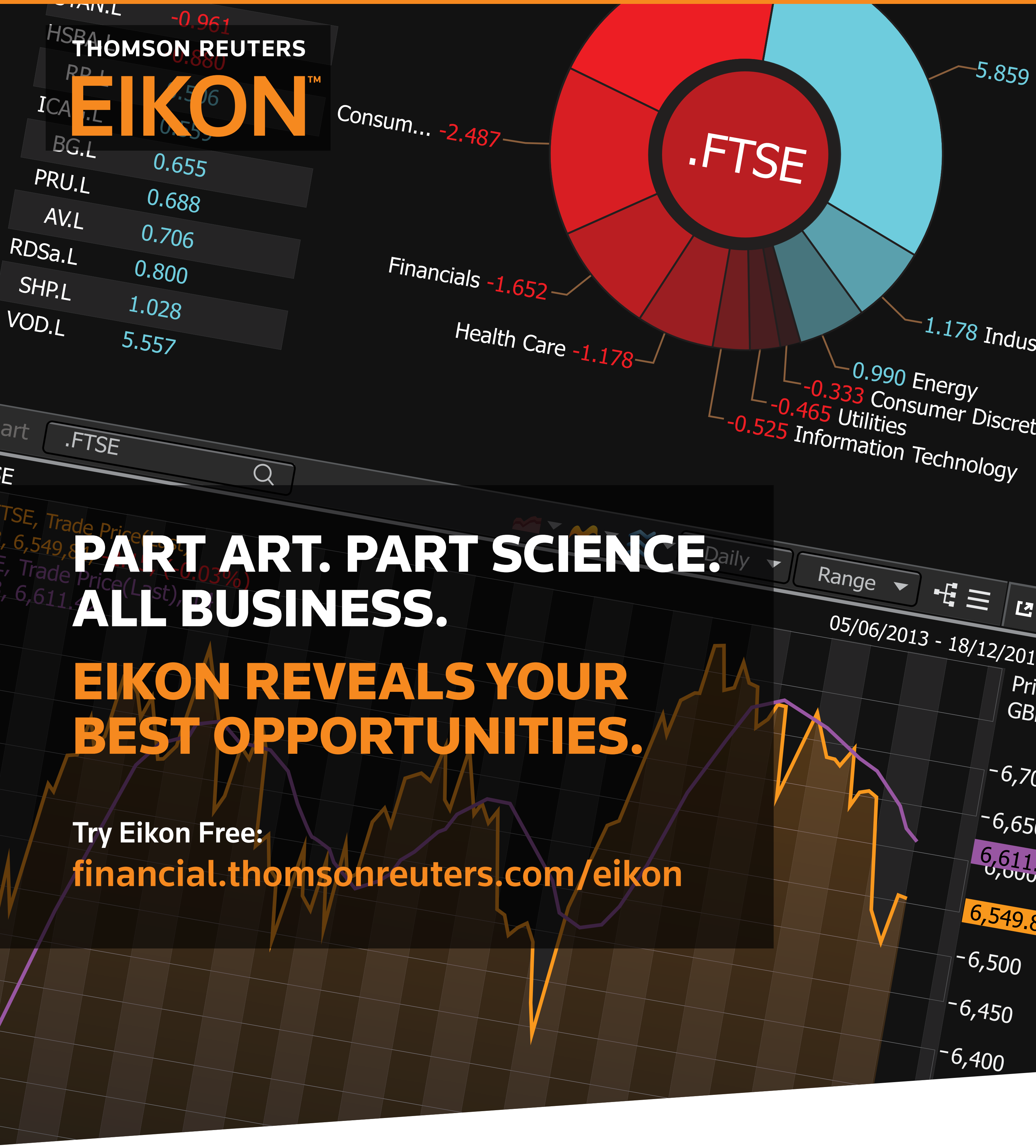
Suggestions have even included a balanced scorecard approach – involving a punitive component, for example if there are compliance issues, client complaints or call-backs.

At CIMB Private Banking, for example, Carolyn Leng, head of the Malaysian business, has played a major role in implementing a new remuneration structure for her private bankers.

This involves a combination of competitive basic pay with discretionary bonus at year-end that is assessed based on the private banker's performance against KPIs – assets under management, revenue and client acquisition targets, cost-to- income ratio, and portfolio performance valuation.

"This is a huge shift from the commissions- based remuneration structure that most offshore banks adopt," explains Leng.

Regardless of these and other positive efforts by individual players, however, many participants share the view that it all comes down to whether the market leaders, in conjunction with the government, really have the appetite, patience and willingness to take the industry forward. ■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MAYBANK'S PRIVATE WEALTH BUILD-OUT IN SINGAPORE AND MALAYSIA

AS GROUP HEAD OF PRIVATE WEALTH AT MAYBANK, ALVIN LEE TALKS ABOUT THE COMPONENTS OF HIS REGIONAL STRATEGY FOR THIS NEWLY-CREATED SEGMENT WITHIN THE ORGANISATION.

Already uniquely-placed with a physical presence in each of the 10 ASEAN countries, Maybank has taken a logical next step by basing its recently-formed private wealth team out of Singapore and Malaysia, Maybank's key markets for its high net worth (HNW) segment.

This enables it to service a combination of local clients as well as use its offshore desk to cater to clients based offshore but who want to bank in Singapore or Malaysia. "We already have the capability and infrastructure to serve our HNW clients. Our focus now is to strengthen it through a more dedicated offering," says Alvin Lee, group head of private wealth.

To do this, Maybank has positioned the private wealth arm within the consumer bank, but also ensured it is closely linked to the corporate and investment banking divisions. "This enables us to tap into what we estimate as between 10,000 and 20,000 potential clients from corporate banking relationships."

And by naming the new segment "private wealth" instead of the more common "private banking", Lee says the branding distinction will hopefully create more connotations with genuine wealth-building opportunities. "For example," he says, "we are doing a lot in relation to lending to Malaysians for overseas property purchases."

GROWING THE BUSINESS

Lee's priority is to onboard as many customers as possible. Yet that requires the right product suite, so the bank is looking to add more credit, discretionary portfolio management and margin financing on share trading.

The intention for the product offering is to cater to the needs of clients in the key markets of Malaysia, Singapore and Indonesia, with a focus on cross-border financing.

"This allows clients to improve potential returns in the current low interest rate environment," says Lee.

Also a key focus is strengthing the investment and client advisory personnel in the private wealth team. This is from two main sources. "First, we believe in nurturing internal talent, so phase one of the growth has been to take the best corporate and affluent bankers, put them through a selection process and then up-skill them," he says. "Phase two is to recruit."

Alvin Lee
Maybank

What is unique to Maybank is its commitment to work-life excellence, ensuring business objectives are met without sacrificing client satisfaction and staff well-being. "We put a lot of emphasis on talent retention and offer bankers the appeal of career growth coupled with a supportive, pro-family culture," explains Lee. ■


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The Scorpio Partnership Private Banking Benchmark 2014
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MALAYSIA'S RHB PURSUES BOLD REGIONAL GROWTH

U CHEN HOCK, EXECUTIVE DIRECTOR FOR GROUP INTERNATIONAL BUSINESS AT RHB BANK, TALKS TO HUBBIS ABOUT HOW HE IS SPEARHEADING REGIONAL EXPANSION ACROSS SECTORS AND GEOGRAPHIES, WITH AN AIM TO INCREASE THE OVERALL CONTRIBUTION TO THE FIRM FROM OVERSEAS MARKETS FROM 12% TO 40% BY 2020.

As the person responsible for the strategic direction of RHB Banking Group's international businesses, U Chen Hock's schedule gets busier every day. His remit, which includes financial performance, operational efficiency as well as talent and capability development, makes him well-placed to drive a regional growth plan that aims to bring benefits for all business units.

The impetus for such expansion is multi-fold. For example, from a wealth management perspective, given that Malaysia operates more like a mature market, with intense competition and compressed margins, it is essential to look at potential opportunities in some of Asia's much larger economies, like Indonesia, where current penetration rates are lower.

In addition, says U, many Malaysian corporates are increasingly regional in nature, with 40%-plus of the revenue from some of the top-listed domestic corporates coming from overseas. "We need to support them as they expand, to maintain relationships."

In line with this, U says RHB group's ambition is to increase its own contribution from overseas markets from 12% to 40% by 2020.

"This will happen in two main ways," he explains. "First, we will grow our existing footprint organically. And secondly, we are looking to make acquisitions in markets where we are not yet present but want to grow – for example, a commercial bank in Indonesia. The Philippines is another key market for us to expand into."

BUILDING OUT BRANCHES

U already has a reasonable starting position. There are seven RHB Bank branches in Singapore, two in Thailand with a third on the way, one in Brunei, nine in Cambodia, a commercial bank representative office in Vietnam, and a branch to come soon in Laos.

In particular, RHB has an aggressive strategy over the next three years to do more with the existing numbers of branches it has in Singapore. "We are not a universal bank there, so we can't open more branches, and one of the areas that we have identified is developing our wealth management platform in Singapore," says U.

This will play a bigger role in complementing the strategy of the group's asset management business.

U Chen Hock
RHB Bank

"We want to create a very strong regional value proposition to attract private funds to come to Singapore. We can use this to create cross-over opportunities with clients in Thailand, Indonesia or elsewhere, especially if they are already corporate customers. We can offer a seamless movement of funds around the region." ■

EXPANDING THE FOOTPRINT

A NOTABLE RECENT TREND IN MALAYSIAN WEALTH MANAGEMENT HAS EMERGED VIA THE INTERNATIONAL EXPANSION PLANS OF SOME OF THE LEADING LOCAL BANKS – AS THEY DRIVE THE DEVELOPMENT AND GROWTH OF THE SECTOR BEYOND THE COUNTRY'S BORDERS.

Over the past 12 months or so, domestic financial institutions In Malaysia have been gradually expanding their footprint and developing better connectivity to the rest of Asia.

Their goal, they say, is to play an increasingly important role within the wealth management space across ASEAN and internationally.

One of the ways to achieve this is by trying to differentiate their product and service offerings to make the most of opportunities emerging from a combination of regulatory liberalisation and the evolving needs of existing clients and prospects region-wide.

Anthony Siau
RHB OSK Asset Management

"We want to be known as an ASEAN specialist and be very good at investing in the ASEAN and Asia space"

Having a presence in both the domestic and regional markets will also enable these banks to be able to compete more effectively for onshore and offshore HNW assets.

Inside Malaysia, for example, they can target onshore wealth via financing and lending.

In markets like Singapore and Indonesia, for instance, they will focus on those wealthy Malaysians – plus other nationalities – who typically prefer to hold a certain portion of their wealth offshore. These clients typically opt for Singapore, Hong Kong or somewhere where they can hold it in US dollars, because they perceive the assets to be safer this way.

The strategy is also well-timed in relation to the UHNW segment.

As this grows, so does the potential for offshore expansion as these individuals are looking to increase their allocations to developed markets.

Figures from Knight Frank's The Wealth Report 2014, for example, show that 35% of Malaysian UHNW individuals are planning to send their children to school overseas, with 60% of them planning to send their children to universities overseas.

The report also showed that 38% of these Malaysians are planning to increase their property investments in 2014 and 25% are considering purchasing another home during the next 12 months.

Carolyn Leng
CIMB Private Banking

"CIMB Private Banking has, through increasing recognition of the Group's capabilities in the regional and global space, started to attract interest from offshore clients"

LEADING THE INTERNATIONAL CHARGE

RHB Group, for example, has a very clear, and bold, objective: to increase its RM48 billion (US$15.48 billion) in AUM today to RM100 billion by the end of 2018.

"This will come through a combination of strategic partnerships, acquisitions and organic growth," says Anthony Siau, director, regional head, and group strategy & institutional business at RHB OSK Asset Management.

With the purchase of OSK, and in conjunction with RHB's acquisition plan, an effective way to raise the group's profile is to expand the business across South-east Asia.

Outside of Malaysia, in Singapore and Hong Kong, this involves setting up a new private client group, explains Siau. This creates a private banking-style offering to HNW individuals and family offices. "We want to be known as an ASEAN specialist and be very good at investing in the ASEAN and Asia space, which is in line with our vision to be 'an outstanding ASEAN fund house with Asian capabilities'." he says.

For anything outside the region, he says the firm will look for strategic partners. For the US markets, for example, RHB partners with Goldman Sachs and Schroders.

"Having a presence in both the domestic and regional markets will enable [Malaysian] banks to compete more effectively for onshore and offshore HNW assets."

Maybank is another key local player which has also been focusing on building a private wealth franchise in Singapore. The bank's senior executives see this as a logical next step to its existing presence in the 10 ASEAN countries.

This enables it to service a combination of local clients as well as use its offshore desk to cater to clients based offshore but who want to bank in Singapore or Malaysia. "We already have the capability and infrastructure to serve our HNW clients. Our focus now is to strengthen it through a more dedicated offering," explains Alvin Lee, group head of private wealth.

To do this, Maybank has positioned the private wealth arm within the consumer bank, but also ensured it is closely linked to the corporate and investment banking divisions – in turn enabling it to tap into an estimated 10,000 to 20,000 potential clients from corporate banking relationships.

More credit, discretionary portfolio management and margin financing on share trading are some of the specific product enhancements which are on the cards, says Lee.

At CIMB, meanwhile, which already operates in 17 markets worldwide, international expansion is part of its DNA.

For CIMB Private Banking more specifically, next on the growth agenda for Carolyn Leng, head of the Malaysian business, is tapping into the growing ASEAN wealth through regionalisation. "Despite being a focused onshore private banking player, CIMB Private Banking has, through increasing recognition of the Group's capabilities in the regional and global space, started to attract interest from offshore clients."

Further, integrating the Malaysia arm into a regional private banking franchise within the CIMB Group will, says Leng, give the bank a competitive edge through integrated resources and capabilities in providing investment and commercial banking solutions for its clients.

HOW OCBC IS DEVELOPING ITS MALAYSIAN OFFERING

LIM WYSON, GROUP HEAD OF WEALTH MANAGEMENT AND HEAD OF CONSUMER FINANCIAL SERVICES, MALAYSIA, AT OCBC BANK, IS FOCUSED ON MAKING FORWARD STEPS IN TERMS OF STRENGTHENING THE ADVISORY CAPABILITIES, PRODUCT PLATFORM AND THE ENGAGEMENT OF DIGITAL SOLUTIONS TO ENHANCE THE BANK'S AMBITION TO BE THE LEADING WEALTH MANAGEMENT BANK FOR THE LOCAL MARKET.

Lim Wyson has a clear plan for enhancing OCBC Bank's Malaysian wealth management business, concentrating on a holistic improvement of both the product offering and digital platform.

Inspired by his successful tenure in Singapore, Lim, previously global head of wealth management and now the head of consumer financial services for Malaysia, wants to further lift the wealth business in this market.

And the time to do this is now, given the growing number of affluent and middle class consumers, creating an exciting prospect for players like OCBC – if it can meet the rising levels of expectation around quality and delivery.

TAKING GRADUAL STEPS FORWARD

While Lim is realistic that the development of Malaysia's wealth management market might still take some time to catch up with the major financial centres, he has identified some key components to start working on.

"The wealth management space in Malaysia is one that is constantly evolving," he says. "The investments we have been making in the last few years are giving us good traction and we are now increasing our capacity of relationship managers."

For example, the bank has teamed up with its private banking arm at home, Bank of Singapore, to share a research platform and generate house views.

OCBC is increasingly, therefore, in a position to respond to client requirements in Malaysia in relation to better advice and market views.

"I realise the country is not yet competing with its more established neighbour, Singapore, but if Malaysia focuses on continuing to enhance the competency and quality of advice, its offering will increase," adds Lim.

PURSUING A DIGITALISATION STRATEGY

Another of Lim's strategic areas of focus is the bank's digital offering in Malaysia, and he is keen to replicate successful digitalisation strategies that he spearheaded at OCBC in Singapore.

"We are currently trying to on-board a lot of the technologies we have used in Singapore into Malaysia," he explains. The aim, he says, is to transform the experience of internet banking for Malaysian customers.

Lim says the starting point is customer research, to ensure the delivery of products and services that the client will truly value. ■

Lim Wyson
OCBC Bank

HOW CIMB IS PURSUING A REGIONAL WEALTH AMBITION

ALREADY AN ASIAN BANK WITH A LARGER NETWORK THAN MOST, CIMB BANK IS DETERMINED TO LEVERAGE OFF THE PROSPECT OF A MORE INTEGRATED ASEAN COMMUNITY TO CREATE AN EVEN STRONGER REGIONAL FORCE, REVEALS RENZO VIEGAS, CHIEF EXECUTIVE OFFICER, CONSUMER BANKING.

CIMB is one of the few Asian consumer banks to have established a name for itself as a serious regional wealth management player.

Operating in 17 markets worldwide is impressive for a Malaysian bank, but it is part of the culture of CIMB.

As a result, its regional aspirations are driving it to look further at new opportunities, spurred by the growing levels of connectivity within ASEAN, as well as Asia.

According to Renzo Viegas, chief executive officer, consumer banking, the bank's geographic footprint puts it in a good position to expand where openings emerge. "CIMB has been focusing on strengthening inter-ASEAN relationships since its infancy," he says.

And as the movement towards more ASEAN integration gains further momentum, there is a real belief within senior management at CIMB that the potential is huge.

"We are in a prime position to take advantage of this development," explains Viegas, "as the flows of money and people become far more liberated."

MAKING THE MOST OF A REGIONAL PRESENCE

A driving force behind the bank's regional strategy to date has been to ensure it has an offering for each market that is relevant and appropriate, based on the size of the CIMB on-the-ground presence in that location.

For example, CIMB's mass affluent customer base in its home market of Malaysia is only 1% of the total number of customers the bank has, but they contribute 50% of its deposits.

In Indonesia, CIMB has the fifth largest bank in the country, so is more naturally suited to targeting a much larger customer group.

By contrast, CIMB's Singapore business comprises only two branches; consequently the firm has a higher success rate via CIMB Preferred, for the local mass affluent market.

INVESTING FOR THE FUTURE

With both clients and its own staff in mind, CIMB has been investing in order to position the bank to take advantage of these opportunities.

For Viegas, building a strong team of relationship managers (RMs) is a priority. "We induct our people from graduates and train them so that they can then grow and move up the ladder," he ex-

Renzo Viegas
CIMB Bank

Regional banking

CIMB Preferred membership lets customers enjoy the same banking convenience and privileges wherever they travel across ASEAN, including at over 100 CIMB Preferred centres and more than 1,000 CIMB Bank, CIMB Niaga and CIMB Thai branches.

The bank's ability to support customers regionally is further strengthened by its RMs, who work with their counterparts abroad to bring customers tailored solutions in Malaysia, Indonesia, Singapore, Thailand and Cambodia.

The bank's aim is not to confine needs by geographical borders.

plains. "They therefore have an affinity to us and won't look to leave as soon as they can."

To supplement this, the focus on training also now includes the bank's own internal certification.

And its standards reflect its growth ambition. Those individuals wanting to work as an RM require 17 qualifications – seven from external and the remaining 10 internally.

In terms of laying the foundations to nurture new clients, meanwhile, there is a continuous effort to funnel customers from its broad retail banking platform through to priority banking.

"We don't define our ideal customer. We holistically grow them," says Viegas.

DIGITAL

Viegas is also very realistic about the need to evolve the offering in line with the preferences of the bank's younger, up-and-coming customers.

Its 40-year heritage in the wealth management space means that many customers in the priority banking segment are part of an aging group. So as the newer generation start to emerge, CIMB needs to be able to adapt.

A big part of this involves prioritising digital strategies, says Viegas, to ensure a better level of engagement with generation Y.

So far, CIMB has two digital solutions to cater to two styles of interaction.

The first provides customers with the digital tools they require to manage and organise their own portfolio, if they choose to.

The second solution is a portal that uses video and other online technologies, through which customers can easily contact the bank for advice.

ing Big Data, we can get a far clearer understanding of our clients and our client base."

USING CONNECTIVITY TO ONBOARD NEW CUSTOMERS

Moreover, as Generation Y grows in numbers and importance, and in turn fosters the next generation of entrepreneurs, synergies between the commercial and consumer divisions of the bank will become more pivotal as a customer onboarding tool.

Another source of new customers will be from the globalisation of family members, with the younger generation being educated overseas, often in the UK and North America.

That makes CIMB's connectivity between geographies a key part of the growth strategy, says Viegas.

As a simple example, as clients invest into property abroad, especially in the UK, CIMB offers them oversees mortgages, either in their home currency or in the local currency where the property is located.

"We are in a prime position to take advantage of the movement towards more ASEAN integration, as the flows of money and people become far more liberated."

The digital platform is also critical in terms of business development going forward, adds Viegas.

For example, he explains, it revolutionises the levels of knowledge that CIMB can now gather from and re-package back to customers. "As a result of getting deeper into the analytics and us-

CIMB has also created a digital platform to facilitate this connectivity, adds Viegas.

"Customers can log on and look at their account with us in Malaysia and their account elsewhere in the world and transfer between these accounts easily," he says. ■

A GROWING FOOTPRINT FOR RHB OSK ASSET MANAGEMENT

ELIZA ONG, MANAGING DIRECTOR AND REGIONAL HEAD OF GROUP ASSET MANAGEMENT AT RHB OSK ASSET MANAGEMENT, EXPLAINS HOW THE RECENTLY-MERGED ENTITY WANTS TO BECOME BETTER KNOWN FOR ITS PRODUCT OFFERING AND DISTRIBUTION CAPABILITIES ACROSS SOUTH-EAST ASIA, TO EXPAND ON ITS MALAYSIAN HERITAGE.

As the prospect of funds passporting in Asia draws nearer, Malaysian-headquartered RHB OSK Asset Management wants to ensure it is well-positioned to take advantage of the expected growth in fund flows between Malaysia and the rest of the world.

"Our vision is to be an outstanding ASEAN regional fund manager with Asian capabilities," says Eliza Ong, managing director and regional head of group asset management at RHB OSK Asset Management. The plan is to build on the existing in-depth knowledge, coverage and access in the local markets to provide the best solutions to clients across South-east Asia.

REGIONAL FOOTPRINT

RHB OSK Asset Management, with RM48 billion (US$15.48 billion) assets under management, already operates out of four key Asian markets – Malaysia, Singapore, Indonesia and Hong Kong. It is licensed to market its products to retail, corporate and institutional clients in Malaysia, Indonesia and Hong Kong; in Singapore it can market itself to accredited investors. The overall product offering includes more than 135 country-specific funds, regional and global funds across equities, fixed income and alternatives.

Whilst the main focus of expertise is ASEAN, there is also a small Asian team. In bringing a global offering to its clients, the firm will not try to develop it in-house. Instead, it will identify selected global partners which are strong in their area of product expertise and work with them via strategic partnership tie-ups or appoint them as external fund managers. This way, clients get the best from the firm.

PRODUCT TRENDS

As the firm looks to expand its fund offering, Ong says it has started to see more interest over the last 12 months from potential partners from Japan, Taiwan and Europe. "There is a lack of European funds offered in Malaysia, so I foresee that as one of the developments to come, along with Japanese funds in line with investor interest."

RHB OSK Asset Management is familiar with driving innovation. For example, it was the first firm to offer a unitised, private equity fund – focusing on special situations – for high net worth individuals, explains Ong. This was a three-plus-one-year close-ended fund that provided quarterly liquidity. Going forward, she also expects more Islamic funds to be offered. "The track record has been good and both the underlying and targeted returns make sense." Further, many investors have asked for yield products, with dividend payments either monthly or quarterly. ■

Eliza Ong
RHB OSK Asset Management

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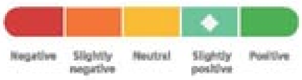

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LIBERALISATION TO DRIVE PRODUCT DEVELOPMENT AND DISTRIBUTION

FROM FOREIGN ASSET MANAGERS ENTERING THE MALAYSIAN MARKET TO LOCAL PLAYERS HEADING OFFSHORE – INITIATIVES AT HOME AND ABROAD PROMISE A WELCOMED SHAKE-UP FOR THE DOMESTIC INDUSTRY. AT THE SAME TIME, THERE IS A DESIRE FOR A BROADER PRODUCT OFFERING TO ENABLE CLIENTS TO DIVERSIFY FURTHER.

Speaking at an investment conference in Kuala Lumpur in early June 2014, Malaysian prime minister Najib Razak set the tone for significant change in the look and feel of the country's asset management industry and wealth-related product offering.

Among measures to boost investment and encourage a "stable and inclusive" financial system, foreign institutions are now allowed to fully own domestic unit trust management companies.

This is in addition to the anticipation of the potential inbound and outbound opportunities from the impending ASEAN funds passport.

Paul Khoo

Standard Financial Planner

"Many investors have a big chunk of money invested into property, so there is a lot of scope for clients to invest in different asset classes"

Combined with the use of technology and digital channels as part of the evolution of the distribution model, plus a commitment to develop the product offering as well as the overall customer service proposition – the local market looks set for some important changes.

The impending ASEAN funds passport and the announcement to allow foreign asset managers to wholly own Malaysian operations will undoubtedly enhance the overall offering, says Paul Khoo, chief executive officer of Standard Financial Advisor. "And that will evolve to a larger, more global platform for the Malaysian investor."

A CHANGING LANDSCAPE

Liberalisation in Malaysian asset management promises significant changes to an industry that 10 years ago only had half-a-dozen or so locally-registered players.

Anthony Siau, director, regional head, and group strategy & institutional business at RHB OSK Asset Management, sees this as a game-changer. "Now, any foreign funds wanting to launch products in Malaysia will not need to go through a local intermediary."

As a result, he expects that these asset managers are pre-positioning themselves in the local market, for example by applying for licenses. "This is likely to create a level of consolidation in the local asset management landscape."

According to Robert Foo, managing director of MyFP Services, the expected increase in foreign investment into Ma-

Ai Mei Chan

Hwang Investment Management

"Investor appetite is reliant on the individual advisers being able to inform clients about what is available in the market"

laysia should be positive in creating a far broader range of products and services for local clients.

At the moment, clients at the higher end of the wealth spectrum tend to look for solutions offshore, he explains. But if more foreign firms start operating in Malaysia, then these clients will have more options and might be enticed to keep more of these assets onshore.

Further, Foo is hopeful that an influx of more sophisticated product offerings through this foreign investment channel will lead to higher standards of advice being delivered in Malaysia.

The country's goal of creating a more attractive wealth and fund management proposition will be accelerated by greater ASEAN connectivity.

"[Funds] passporting will lead to more global funds coming to Malaysia, rather than the other way around," says Andy Lim, group managing director at PhillipCapital Malaysia.

This will therefore mean more funds are available to local financial players, for them to then be able to tailor-make them for their clients, he adds.

A BROADER PRODUCT OFFERING

An essential element to drive wealth and asset management forward more tangibly in Malaysia is a wider range of products available, assuming there is better investor understanding of them.

The industry broadly acknowledges that it needs to help Malaysian investors develop more diversified portfolios through an improved product offering, rather than just hunting for investment returns and sticking to what they know.

"Given that product development is at a relatively infant stage, there is a lot of scope to create points of differentiation," says Shi Jie Ong head of wealth management, Malaysia at OCBC Bank.

The options have been relatively limited to date.

In the mass affluent space, most of the products sold in Malaysia still revolve around unit trusts, which are actively managed, says Ong, whereas global trends are towards more passively managed funds such as ETFs. Such products pose a threat to the actively managed funds in the wealth management space, and players like OCBC Bank, for example, are moving towards treasury products because they can offer more of a passively-managed alternative at a cost to customers.

Khoo at Standard Financial Advisor says he would welcome an improvement in the take-up of ETFs and the number available in the market, given the limited offering in this segment in Malaysia to date.

"ETFs offer cheap management fees and access for investors to multiple asset classes, with multiple currencies," he says.

"Many investors have a big chunk of money invested into property, so there is a lot of scope for clients to invest in different asset classes," he adds.

In general, Shan Saeed, chief economist of IQI Group, says Malaysian banks should take a more active role in creating more products.

"They need to work with regulators to see how they can provide more convenience and ease for clients," he says.

Meanwhile, there has been a notable trend over the last decade of a more global feel to the products available.

"Before 2004, all products were limited to onshore instruments," says Ong.
"Since then, unit trusts have become more international, and we have seen the introduction of treasury and currency products. There has been more talk about offshore equities and bonds in the last two to three years also."

That is in line with the evolving appetite of HNW Malaysians, who are also more open to considering options such as alternatives.

They increasingly realise, say practitioners, that they need a better portfolio

mix – in terms of sectors, companies and asset classes – from the perspective of managing market volatility and creating long-term returns.

Being patient and taking care with cashflow are vital to this.

A 6% return consistently, for example, means performance.

While alternatives such as hedge funds, private equity, commodities, have not yet really been engaged in the same way in Malaysia as they have by wealthy investors in more developed markets, this presents a further product development opportunity for HNW individuals.

The challenge, say practitioners, is ensuring they are properly explained by advisers, and then then understood by clients, to ensure they get used appropriately in portfolios. A potential starting point, for example, are more basic commodities like gold. Yet this still requires a substantial effort from a research perspective to support these recommendations to clients, and the market can move very quickly.

Munirah Khairuddin

CIMB-Principal Asset Management

"The whole customer experience is important to grow our business"

BETTER DISTRIBUTION RELATIONSHIPS

Getting the right product to the right investors also relies on asset managers

STATISTICS FOR FUND MANAGEMENT INDUSTRY (AS AT 31 MARCH 2014)

Asset Classes *(in RM billion)*	**Overall (including Shariah)**			**Shariah**		
	Inside Malaysia	**Outside Malaysia**	**Total**	**Inside Malaysia**	**Outside Malaysia**	**Total**
Equities	246.40	59.74	306.14	30.25	16.88	47.13
Fixed income securities	95.13	20.94	116.07	16.41	7.53	23.94
Money market placements	141.25	0.90	142.15	24.72	0.08	24.80
Unit trust funds	8.70	6.34	15.04	0.46	0.37	0.83
Private equities/Unquoted stocks	4.51	4.59	9.10	0.01	0.19	0.20
Others*	9.39	6.29	15.68	0.67	1.21	1.88
Total	505.38	98.80	604.18	72.52	26.26	98.78

*Others consist of other asset classes such as wholesale funds, REITs, ETFs, closed-end funds, derivatives, business trust, payables, receivables, accruals and uninvested cash.

Source: Securities Commission Malaysia

Shan Saeed
IQI Group

"Malaysian banks need to work with regulators to see how they can provide more convenience and ease for clients"

realising that they can't be good at everything. "We assess what we do best, then talk to the product gatekeepers to show them the performance and what we can deliver," explains Angelia Chin-Sharpe, chief executive officer and country head, Malaysia & Brunei, for BNP Paribas Investment Partners. "To us, we want to have more relevant conversations with both distributors and end-clients to understand what they want."

Key to the development of the industry in Malaysia, therefore, is providing solutions that customers actually need, rather than pushing product, adds Lynn Cheah, chief executive officer of Eastspring Investments in Malaysia.

But ultimately, investor appetite is reliant on the individual advisers being able to inform clients about what is available in the market, says Ai Mei Chan, chief marketing officer of Hwang Investment Management. As a result, she says the industry must continue to focus on education, and the required explanations in relation to product and risk, to ensure investors are well-informed and thus satisfied.

Yet an emerging challenge for the asset management industry as a result of the rising levels of competition relates to performance. "Clients are more educated and now have access to a lot more information and choice," adds Chin-Sharpe. All-round service therefore becomes more important.

This also translates to having open, proactive dialogue with distributors. "The most important aspect of the relationship," adds Cheah, "is that when funds are not performing well, we should call our clients, to be proactive and support them with advice."

For Munirah Khairuddin, chief executive officer of CIMB-Principal Asset Management, it is about service differentiation. "The whole customer experience is important to grow our business."

NEW COMPETITIVE THREATS

The influence of technology on product distribution is another game-changer on the horizon for the asset management industry. "The role of technology is important for the asset management business today," says Khairuddin. "There are a lot of exciting developments ahead of us that will change the service model. I think technology can help take us to the next level."

Gerald Ambrose, chief executive officer of Aberdeen Islamic Asset Management, highlights new forms of media for investors as an important trend he sees at the moment. "Our Islamic license allow us to distribute funds online."

Cheah at Eastspring Investments adds that she thinks social media will reshape the landscape. There is also increasing demand for tools to facilitate more effective data mining, to try to better understand customer behaviour, she explains.

At the same time, nobody can ignore the arrival of non-traditional companies potentially shakng up this space, most notably the examples of players such as Alibaba, Baidu, Google, Facebook and Paypal, among others.

This was led by the launch in China in mid-2013, and subsequent resounding success, of online investment fund Yu'e Bao, offered by Alibaba Group's online-payment affiliate Alipay. Within nine months to the end of March 2014, funds invested in Yu'e Bao totaled RMB 541 billion (US$87 billion). This compares with the country's equity markets acquiring RMB 60 billion in 20 years.

Success spurred online search company Baidu, and social networking and online gaming giant Tencent Holdings to create own investment platforms for customers. And in May 2014, China Telecom launched a money market fund on its mobile payment platform.

However, adds Cheah, brand name is important. Plus, it isn't easy to be able to manage distribution channels. "We focus on building our own agency channel," she explains. "That's where it becomes possible to sustain funds growth in a steady way."

Ambrose adds that the focus has to remain on man aging money for the long term, rather than about how to apply new technologies. ■


PARTNER FOR SUCCESS

TAPPING FUNDS POTENTIAL IN MALAYSIA AND ASEAN

ANGELIA CHIN-SHARPE, CHIEF EXECUTIVE OFFICER AND COUNTRY HEAD FOR BNP PARIBAS INVESTMENT PARTNERS IN MALAYSIA & BRUNEI, DISCUSSES THE OPPORTUNITIES BEING CREATED BY THE ASEAN PASSPORTING SCHEME AND OTHER DEVELOPMENTS IN SOUTH-EAST ASIA.

According to Angelia Chin-Sharpe, chief executive officer and country head for BNP Paribas Investment Partners in Malaysia & Brunei, it will be interesting to observe the impact of recent announcements about the liberalisation of the Malaysian fund management industry.

For example, she says, this will position Malaysia positively once the ASEAN funds passport regime is implemented.

That will create a platform to make distribution easier within the three signatory countries – Singapore, Malaysia and Thailand. In practice, it means that funds registered in one market will be able to be readily distributed, or registered to be distributed, in the other two markets.

For BNP Paribas Investment Partners, as a global firm, Chin-Sharpe says the initial focus in growing its Malaysian business was institutional.

But the firm has also invested in Malaysia by setting up two investment teams. One of them is a Global Sukuk team, to take advantage of the ambition of the Malaysia International Islamic Financial Centre (MIFC) to become an Islamic hub.

The firm also views Malaysia as the ASEAN gateway. As a result, it has invested in an ASEAN equities investment team in the local market, which will be well-placed to benefit from the ASEAN Economic Community (AEC) – the goal of regional economic integration by 2015.

EVOLVING DISTRIBUTION

As wealth management continues to evolve in Malaysia, the challenge will be to develop the current distribution channels and product offering – which Chin-Sharpe says needs to happen in conjunction with the regulators.

For the time being, she explains Malaysia is restricted in terms of the products that firms like BNP Paribas Investment Partners can bring to the market.

Development will also depend on education, to ensure the local investor base is ready for more sophisticated products, both in terms of understanding the investment opportunities as well as the risks, she adds.

Once this starts to happen, Chin-Sharpe says there is a need for the regulators to slowly start to lift restrictions to allow a greater flow of product into the country, and in turn ensure there will be enough product to satisfy the appetite of high net worth and mass affluent investors. If this can happen, she predicts Malaysia will be in a better position to compete with other wealth management hubs like Singapore and Hong Kong. ■

Angelia Chin-Sharpe
BNP Paribas Investment Partners

BRINGING ETFs TO MALAYSIAN INVESTORS

WHILE GLOBAL ETF FLOWS CONTINUED TO HIT RECORD HIGHS IN 2013, MALAYSIA IS SO FAR MISSING OUT. THIS IS MAINLY DOWN TO A LACK OF AWARENESS AMONG BOTH INVESTORS AND INTERMEDIARIES, SAYS MAHDZIR OTHMAN, CHIEF EXECUTIVE OFFICER, I-VCAP MANAGEMENT.

ETFs are misunderstood among the Malaysian retail investor base. In reality, they are low cost, low risk, transparent investment products. They are traded like stocks, but act more like mutual funds in that they offer public investors exposure to a pool of securities and other assets.

"There's a misconception by retail investors in Malaysia that ETFs are sexy, sophisticated products," states Mahdzir Othman, chief executive officer, i-VCAP Management. "They're actually very simple and transparent. And they're very convenient as they're tradeable."

Among the key things holding back the product in Malaysia at the moment are investor education and the lack of a distribution network for ETFs. While investors can easily buy and sell them over the exchange, knowledge about these products is very limited. And since the wealth management industry still operates on a transaction-based model, advisers tend to promote other products which will give them larger commissions.

"Moving to a fee-based advisory model would benefit investors," says Othman. "This would prompt more people to look into ETFs."

Another reason for the lack of awareness, is that there are only six ETFs listed on Bursa Malaysia, the Malaysian stock exchange, and these are managed by three licensed ETF managers.

"For ETFs to penetrate Malaysia's wealth management market and really take off, the public must be granted access to a wider range of products," says Othman.

However, at present it's not particularly attractive for managers to issue new ETFs unless they can gather a decent size, given that the associated costs to issue one are relatively high. There are fees in relation to the submission and approval processes, as well as the expense of engaging an investment bank.

RAISING AWARENESS

There is some evidence of change. Interest in Malaysia's ETFs also comes from foreign investors who want broad exposure to the country in a cost-efficient way. But they will only consider if there is higher trading liquidity.

To communicate the message to intermediaries, i-VCAP Management is continuously engaging with stockbrokers, remisiers, private bankers and financial planners to encourage them to promote ETFs to clients. For the brokers, they expect ETFs to behave like stocks and have high liquidity, which ETFs generally don't, to gain interest and liquidity. Obviously, investor education activities will continue to be carried out to explain about investing in ETFs and its benefits. ■

Mahdzir Othman
i-VCAP Management

CULTIVATING MALAYSIA'S INSURANCE INDUSTRY

THE LIFE INSURANCE MARKET IN MALAYSIA IS STILL RELATIVELY UNDER-DEVELOPED. PRODUCT DIVERSIFICATION, HIGHER LEVELS OF CONSUMER EDUCATION AND A BROADER, MORE EFFICIENT DISTRIBUTION ARE SOME OF THE CHANGES REQUIRED IF IT IS TO MOVE FORWARD.

Insurance companies and the regulator seem to be aligned in the outcome they want for Malaysia's life insurance industry: deeper penetration.

Bank Negara Malaysia (BNM) has been forthright in its approach. It issued a concept paper in late 2013 proposing a variety of bold changes to transition the life insurance and Takaful industry towards achieving a penetration rate of 75% while at the same time ensuring consumers receive proper advice.

Proposals included greater operational flexibility to promote product innovation, diversified distribution channels to widen product delivery, and higher product disclosure standards to enhance transparency, professionalism and consumer protection.

Local market practitioners agree that some of the vital steps to be taken include these areas.

But the industry's reaction to achieving this has been a bit more cautious.

"Extensive changes could be counterproductive in the short term," says Christine Cheu, chief marketing officer for Zurich Insurance in Malaysia.

Toi See Jong

Tokio Marine Life Insurance Malaysia

"To make the most of the [insurance market] potential that exists, distribution needs to become a lot more efficient"

DEEPER PENETRATION VIA BROADER DISTRIBUTION

Malaysia presents a real opportunity for players in the insurance space.

Market penetration is currently very low, at around 40%, compared with double that, if not higher, in Hong Kong and Taiwan, for instance.

But to make the most of the potential that exists, distribution needs to become a lot more efficient, says Toi See Jong, chief executive officer of Tokio Marine Life Insurance Malaysia.

Cheu also points to the need for a substantial increase in distribution channels if the country's insurance market is to develop more quickly.

For example, agency distribution dominates at 60% to 70%. But buying insurance via a tied agent is very restrictive in terms of products on offer – and the advice is not independent.


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Christine Cheu

Zurich Insurance Malaysia

"The agencies are still only really selling protection and traditional life products"

There has always been a place for bancassurance, too. Most banks offer it, with institutions typically opting for an exclusive partnership arrangement with one of the big insurance players.

Insurers tie up with banks as they have the advantage of being able to build on their existing relationships with their bank clients.

"There needs to be more commitment by all industry players to invest in more rigorous recruitment policies, and also training and certification."

Moreover, customers' confidence in the banks results in cross-selling of life insurance, and thus attributes to sales from this channel.

For convenience, customers can have most of their financial needs catered to "under one roof" at the banks.

Some practitioners cite the dominance of agents for many of the challenges facing the insurance industry.

"They are not able to offer independent or objective advice," states Robert Foo, managing director, MyFP Services.

This is also tied to the stumbling block to overcoming the lack of differentiation.

The agencies are still only really selling protection and traditional life products, say many practitioners.

While the agency sales force remains the preferred choice for now, providers are looking a bit further afield.

Tokio Marine Life's Malaysian business, for example, is focused on its agency force, but took the decision to link up with Kenanga to give customers more avenues when buying life insurance.

Zurich is anther provider continuously looking into expanding its agency force of 5,000 tied agents and developing new distribution channels in its effort to broaden its customer reach, explains Cheu.

IFAs offer a relatively untapped option. This channel was introduced in Malaysia about seven to eight years ago to provide more access to customers – with the model being adopted from successful implementations in other countries in the region.

While Financial Adviser (FA) licences have opened up the market a little, however, penetration has not been significant through this channel. For instance, it takes time to build up customers' confidence. Plus, says Foo, the regulation is quite restrictive and doesn't favour FAs. For example, they are not able to access the databases and CRM systems they might have used as tied agents – and without client data, they're not in a position to properly service clients.

There is a need for much more investment by advisers, therefore, in technology systems and tools to help themselves, say industry observers. For example, there is demand for online offerings. At the same time, insurance is a personal concept and requires what some practitioners describe as a "human touch".

"Theoretically an online aggregator makes sense, but it could result in issues in terms of some consumers not understanding the policies or plans," explains Khadijah Abdullah, chief executive officer of the Malaysian Insurance Institute (MII).

HIGHER EDUCATION AND PROFESSIONALISM

In line with the need for diversified distribution, the demand in Malaysia for greater professionalism in the in-


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Ian Lim

Archipelago Life Insurance

"Life insurance presents an opportunity to create wealth, for example for inter-generational transfer and for legacy planning"

surance sector is growing, and an increase in the education process for consumers is essential.

But two main gaps remain.

First, more support is needed from the regulator to raise the level of consumer awareness and understanding of life insurance. And secondly, the practice of needs-based selling must increase through appropriate training.

"The demand for greater professionalism in the insurance sector is growing, and an increase in education for consumers is essential."

In particular, the industry is trying to address issues around transparency and ethical practices. "There needs to be more commitment by all industry players to invest in more rigorous recruitment policies, and also training and certification," says Abdullah of the MII.

"This requires top management to be committed to training to breed the right culture," she adds.

As in many other markets, the challenge is to get firms to avoid being lured by short-term gains that don't provide as much of an opportunity for creating sustainable businesses.

Steps must also be taken to make the process of buying insurance a less painful experience for consumers – and one that gives them what they need in terms of protection. According to Foo at MyFP Services, there is too much mis-selling in Malaysia's insurance market, along with agents failing to give sufficient disclosures to consumers. Many buyers, he says, do not understand the policies they get sold.

And it doesn't help that there are no real summary term-sheets available, giving details of what is covered by the insurance. "The terminology in the contracts for Malaysian policies is also far too complex," he explains. "There needs to be a simple summary in plain English, for consumers to be able to read and understand."

Consumers are also given very little information about the performance or returns of the insurance products on the market.

More transparency is needed in order to move the industry forward.

The industry might advance more quickly if, for example, there is an organisation to represent the consumer, to drive initiatives to ensure buyers of policies are not left mis-informed.

While there are industry associations, these don't represent the individuals – just companies. "Consumers are not represented by any association; their voice is not heard," says Foo.

Essentially, says Toi at Tokio Marine Life Insurance Malaysia, customers want good advice. "Customers will benefit ultimately when they are given good advice if they see a reliable adviser. Whether it is agency, bancassurance or IFA, the adviser should be competent enough to provide life insurance solutions to meet the needs of their customers."

For example, within wealth management, life insurance presents an opportunity to create wealth, for example for inter-generational transfer and for legacy planning, says Ian Lim, principal officer and chief executive officer of Archipelago Life Insurance.

He adds that his firm, a mid-shore company under the Labuan IBFC, focuses heavily on the notion of legacy.

Lim says that the firm does not offer cover for people over the age of 70 – but instead focuses on protection whilst people are still working. ■

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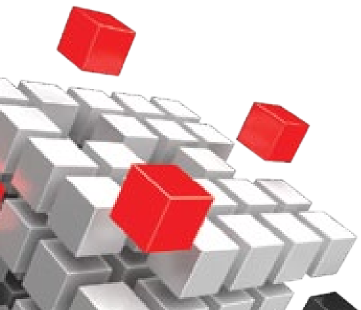

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MAAKL MUTUAL AND MANULIFE STRIVE FOR PRODUCT INNOVATION

MORE THAN SIX MONTHS AFTER MERGING WITH MANULIFE, MAAKL MUTUAL IS LOOKING TO APPLY ITS INNOVATIVE CULTURE TO NEW PRODUCT DEVELOPMENT FOR ITS MALAYSIAN CUSTOMERS, SAYS WONG BOON CHOY, CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR.

MAAKL Mutual prides itself on being innovative; it was one of the first fund managers in Malaysia to fully embrace digitisation, and was the first company in Asia-Pacific to win Microsoft's WINDOWS in Financial Services Award.

Product development is now at the top of the agenda. Following the completion of its acquisition by Manulife Holdings at the start of 2014, the plan is to leverage MAAKL Mutual's existing 27 unit trust funds – including 10 Islamic funds – and captive distribution force of more than 1,000 professional unit trust advisers, under the continued leadership of Wong Boon Choy.

The ambition is to drive greater scalability for the combined entity, which has become one of the top 10 in Malaysia in terms of unit trust assets.

LEVERAGING OFF EACH OTHER

For Manulife, the acquisition is set to enhance its business and presence in Malaysia to complement the firm's wealth management growth strategy. For example, most of the investment management responsibility for MAAKL's unit trust funds has been transferred to Manulife Asset Management.

According to Wong Boon Choy, chief executive officer and executive director of MAAKL Mutual, this will help Manulife access suitable, competitively-priced funds distribution channels.

PRODUCT INNOVATION

As part of the new strategy, Wong is enthusiastic about MAAKL Mutual having a greater capability to generate more of its own in-house products. "We assess investor demand closely and create funds that we think clients want, therefore enabling us to generate successful products," he explains.

He highlights MAAKL Mutual's Flexi Fund series in particular. "We initially launched this because most investors do not know how or when to switch their funds to adjust to the ups and downs of the stock market."

Each of the funds within the series is run by a multi-manager approach, he explains, with this flexible investment style designed so that MAAKL Mutual's fund managers will make the investment decisions for these investors.

Wong says the other benefit of the funds in the Flexi Fund series is resilience. "In times of market uncertainty, the funds can continually perform due to the flexibility they offer fund managers to reduce equity exposure."

Wong Boon Choy
MAAKL Mutual

Along with his new colleagues at Manulife, there is confidence that they can further build on these types of product capabilities, adds Wong. ■

SHAPING NEW PERCEPTIONS ABOUT INSURANCE IN MALAYSIA

SPEAKING EXCLUSIVELY TO HUBBIS, BILL LISLE, CHIEF EXECUTIVE OFFICER OF AIA IN MALAYSIA, EXPLAINS HOW HE IS BUILDING ON THE COMPANY'S LANDMARK US$1.73 BILLION ACQUISITION OF ING TO DRIVE CHANGE WITHIN THE LOCAL INSURANCE MARKET. THIS INCLUDES REVITALISING THE 60-YEAR OLD BUSINESS WITH A MODERNISED AND STREAMLINED BRAND AND STRATEGY TO BOOST ITS RELEVANCE TO THE YOUNGER GENERATION.

Malaysia, like many countries in Asia, lags the rest of the world in terms of the penetration of insurance products.

Not helped by the lack of any formal social security system, there is also a substantial protection gap.

The first formal study of the extent of this shortfall, spearheaded by the Life Insurance Association of Malaysia alongside research partner Universiti Kebangsaan Malaysia (The National University of Malaysia) in June 2013, revealed many households are substantially under-insured. Even where the primary wage earners both had life and medical insurance, the average protection gap was still RM553,000 (US$174,000) per family.

Further, while some estimates point to a market penetration of around 50%, critics highlight fairly crude research methods such as dividing the number of policies by the estimated population – thereby grossly underestimating the number of Malaysians who remain under-insured.

Bill Lisle, however, is on a mission to change this for the life insurance space, bit by bit.

Since becoming chief executive officer of AIA Malaysia just over 18 months ago, he has already led the large-scale and highly-complex integration of AIA and ING's insurance operations – resulting in a single licence and brand for the new enlarged entity, with total assets worth RM40 billion.

> "The first phase of the transformation of the AIA business has taken place in relation to its recruitment and professional development strategy."

His other key goals now include growing and strengthening the company's three main business lines – tied agency, partnership distribution and corporate solutions – as well as overseeing the growth and development of AIA's local Takaful business.

Bill Lisle
AIA

A down to earth but very focused individual from the north of England, Lisle is unlikely to give up until he has succeeded in changing the lives of as many Malaysians as he can.

FINDING AND KEEPING THE RIGHT PEOPLE

For Lisle, the ING acquisition has been a catalyst for change.

The first phase of the transformation of the AIA business has taken place in relation to its recruitment and professional development strategy.

After conducting research among customers, for example, the company found that while some might be content with buying basic insurance packages online, those individuals looking to purchase life insurance were looking for face-to-face advice.

Hiring professional, eager and talented life planners, therefore, became a critical goal for Lisle.

Under Lisle's careful management, AIA developed what it calls its "Premier Agency", requiring a minimum education standard to get in. The focus of this academy, explains Lisle, is clear structured training, including – to tie in with the modernisation – e-learning.

The creation of a full time base of life planners will enable AIA to build on the current 50:50 split. And to move this in the direction Lisle wants, new recruits can only now join the company on a full-time basis.

In fact, Lisle is so committed to this initiative that he says he is happy to invest significant amounts.

"There is now a far greater focus on aligning the firm's offering to the needs and preferences of Generation Y."

For example, AIA has a financing scheme for new recruits in which the company bridges the income gap of each new life planner for the first 12 months of the programme.

This gives recruits adequate time to train, develop and familiarise themselves with the products and processes.

REACHING OUT TO NEW CUSTOMERS

In addition to getting more of the right people in place, AIA has been re-evaluating its customer base and segmentation strategy, too.

For example, says Lisle, there is now a far greater focus on aligning the firm's offering to the needs and preferences of Generation Y.

Rather than accepting the positioning of AIA as "the old man of the insurance industry", which was what Lisle says he heard from some customers when he

joined, he has spearheaded a digitisation effort to reflect the importance of appealing to a younger audience.

The first initiative, says Lisle, was to revolutionise the point-of-sale technology, trading the previously outdated systems for iPads.

One of the most tangible initial outcomes has been the transformation of the customer experience.

The iPads allow AIA's life planners to present each product to the customer via a presentation on the tablet that lasts two to three minutes – therefore preventing any chance of inconsistency in how the message gets delivered.

As well as streamlining the process itself, this new technology-led approach has meant that 60% of policies are issued within 24 hours.

Moreover, this has allowed AIA to become far "greener" in an industry founded on hoards of paper.

The impact of a greater engagement of technology as a key tool in the overall offering has been interesting for Lisle – not only in helping AIA to appeal to more Generation Y consumers, but also in attracting younger life planners.

For example, 85% of the company's new recruits in 2013 were aged between 25 and 35.

That is important, since a younger, more energetic dynamic will naturally attract a different generation of customer, he explains.

SUPPORTING THE WELL-BEING OF ITS CUSTOMERS

Lisle sees the well-being of the firm's customers as another pivotal component in the local rebranding of AIA.

While not yet fully launched in Malaysia, AIA's Vitality product is part of an an innovative scheme to promote healthier living.

For instance, AIA has recently partnered with a company called Discovery Health, the largest private healthcare funder in South Africa, covering over 2.5 million lives.

The aim is to try to change the negative connotations that can be attached to an industry that tends to focus on illness and death (refer to box).

TOUCHING PEOPLE'S LIVES

Lisle's ambition to develop a more holistic and modern approach to life insurance in Malaysia is in step with broader initiatives.

In January 2014, for example, Bank Negara Malaysia released a concept paper to support the long-term, sustainable growth and development of the life insurance and family Takaful industry through an increased value proposition to consumers.

While executing this is more complex in reality, plus the final paper is yet to be released, such steps are positive for the market.

"The life industry in particular had become too complacent," says Lisle, "and this has now driven players to be more proactive, whilst simultaneously raising standards."

Moreover, as Lisle stresses, the domestic life insurance industry has a real opportunity to make a substantial difference to the lives and well-being of millions of Malaysians.

Why that is so important to him is clear to see as he recollects delivering a cheque to the family of an AIA life planner who had been on the doomed MH370 flight. "All my employees will deliver a cheque for a similar purpose at some point. Until someone does that, it isn't possible to understand what this industry is truly about."

Promoting a healthier Malaysia

When launched in 2015, AIA's Vitality product will allow each customer to focus on wellness.

- **Know your health**
  Customers fill in an online survey, which will then create suggestions and provide vouchers for health checks
- **Improve your health**
  AIA has linked up with various vendors, including lifestyle reward partners, to offer discounts for memberships and activities linked to healthier lifestyles
- **Enjoy the rewards**
  Customers who make positive changes are incentivised through various rewards, including family trips to the cinema and air miles
- **Get connected**
  Customers are encouraged to engage with AIA Vitality by using wellness tools to connect with other users
- **The final result**
  Those individuals who prove they develop a healthier lifestyle and meet AIA's criteria stand to receive discounts on their insurance premiums

ISLAMIC WEALTH MANAGEMENT TO THE NEXT LEVEL IN MALAYSIA

SANDEEP SINGH, CHIEF EXECUTIVE OFFICER AND COUNTRY HEAD, MALAYSIA, AT FRANKLIN TEMPLETON INVESTMENTS, UNDERLINES THE CHARACTERISTICS OF ISLAMIC WEALTH MANAGEMENT, AND HIGHLIGHTS HOW IT CAN DEVELOP IN THE MALAYSIAN CONTEXT.

Malaysia continues to be an important jurisdiction for Islamic finance, says Sandeep Singh in an interview, therefore making Islamic wealth management an important part of the overall landscape in the country.

Currently, he says Islamic asset management accounts for roughly US$18 billion in AUM in the unit trust / wholesale funds industry, via a mix of local and foreign names holding around 20 Islamic fund management licenses. Some of the foreign firms have also adapted their license to offer more retail-focused products, he adds.

The overall trend is towards more players entering this segment of the industry, leading to growth in AUM and a larger number of products, says Singh. However, there is still a lot of work to be done in developing the distribution channels, he adds, so the results in terms of numbers and AUM will be more likely to trickle in, rather than change dramatically overnight.

DEVELOPING DISTRIBUTION

According to Singh, Franklin Templeton Investments has varied its license to offer retail products. It wants to offer some of its Luxembourg-based Shariah funds to Malaysian investors initially, and then expand the offering in the years ahead.

This also potentially opens the door to a new set of distributors, especially Islamic banks, which are dedicated in the Islamic space, he adds.

TAKING IT TO THE NEXT LEVEL

Singh says that taking the Islamic wealth management market in Malaysia to the next level is a multi-step process. First, there is a need to assess the product gaps, with more international offerings to be added. Secondly, the industry is at the stage where more education and awareness is needed, especially in relation to distribution partners. That requires a combined effort by the industry, to raise the level of excitement generally, to create more interest in Islamic products.

At the same time, firms offering Islamic products must work hard to make performance competitive with some of the conventional offerings, he says. Ultimately, investors expect to make money out of their investments regardless, he explains. Singh adds that if Malaysia wants to become more dominant in the global Islamic space, the industry players themselves need to expand their footprint beyond the country. That's where some of the international names are potentially better placed than some local firms, he adds, to leverage off of their existing brand on the conventional side. ■

Sandeep Singh
Franklin Templeton Investments

WHY PRIVATE BANKS MUST RAISE THE DIGITAL STAKES

FROM DESIGNING INVESTMENT PRODUCTS TO RETAINING CLIENTS, DIGITAL BANKING IS RESHAPING THE WEALTH MANAGEMENT INDUSTRY. BUT PRIVATE BANKS MUST GET MORE ALIGNED WITH THESE TRENDS, URGES STEVEN SEOW, HEAD OF WEALTH MANAGEMENT FOR MERCER IN ASIA.

For private banks, succeeding in the digital age requires there to be a fundamental shift in mind-set, from a traditional product-selling mentality to one enabled by technology.

Retail banks have increased staff efficiency, lowered costs and improved the customer experience by designing, simplifying and amending product offerings based on feedback from social media platforms, for example, explains Steven Seow, head of wealth management for Mercer in Asia. However, he is yet to see similar changes within the private banking industry.

NEW APPROACHES NEEDED

The ndustry is being confronted with increasing requirements on all aspects of the business, including in relation to reporting processes and content.

That pressure is coming both from regulators as well as clients. In particular, clients are also increasingly active in terms of social media, and are willing to give feedback, adds Seow. "They want to be able to compare prices, performance and services, while listening for what is being said about their banks in social media."

As a result, banks need to deliver something which is tailored accordingly, not just standardised flow product.

GAMIFICATION

Another change that Seow says private banks need to make in terms of the way they engage technology is to introduce more "gamification" for educating the second and third generations. "Wealth is passing down to younger generations which are embracing technology and expect information quickly."

Generation Y expects real-time analysis, research and fund performance reporting through various gadgets. "Even when addressing this need by investing in digital platforms, private banks have to be mindful of the increasing data privacy and cyber security concerns."

REPORTING TRENDS

This trend is also forcing Mercer to redesign the reports it creates for banks. Six months ago, the firm collaborated with Financial Express to launch Mercer Manager Analysis Portal (MAP). This is a web portal that can be accessed by any iPad, iPhone or android device

Steven Seow
Mercer

24/7. "Our clients, meaning financial advisers, can access Mercer's intellectual capital to help them in their work," explains Seow. "They can download our research notes on fund managers and assess portfolio performance, among many other features. This is also our way of embracing technology to better serve the needs of our clients." ■

DELIVERING ADVICE THAT COUNTS

MALAYSIA MUST CONTINUE TO WORK HARD AT CREATING A TRULY CLIENT-CENTRIC ADVISORY CULTURE IF IT REALISTICALLY EXPECTS TO FULFIL ITS PLANS TO PROVIDE WEALTH MANAGEMENT SERVICES ON A PAR WITH THE MORE ESTABLISHED CENTRES IN ASIA.

Financial services across the world have been going through a process of change – led, in most cases, by local and cross-border regulatory reforms.

The main focus is the role of advice in delivering products and services to customers, via more disclosure and also fee transparency.

Developments such as the Retail Distribution Review (RDR) in the UK, and similar reforms in Australia and other markets, have led the way in striving for a different advisory culture to drive the future of wealth management.

Pramod Veturi

Standard Chartered Bank

"As an industry we need to make sure the market is open enough to allow practitioners to grow and build businesses"

Malaysia, too, needs to look at raising standards in similar ways, to avoid being left behind. For example, the industry has been suffering a loss of talent because it is not as developed as in some of the hubs around Asia, such as Singapore and Hong Kong, says Shi Jie Ong, head of wealth management at OCBC Bank in Malaysia.

THE ROAD TO A SUCCESSFUL ADVISORY CULTURE

It is widely accepted in Malaysia that one of the biggest hurdles for the industry to date has been the credibility of the professionals within it, and the perceived quality of their advice. In general, senior practitioners want to see a greater level of understanding within the local advisory landscape when it comes to wealth management.

Without a larger number of better-trained and more experienced advisers across the various wealth providers, it will be a struggle to service the ever-larger numbers of wealthy individuals predicted in Malaysia.

Paul Khoo, chief executive officer of Standard Financial Advisor, says the industry has now reached the stage where tremendous effort is required in terms of training and the upgrading of skills and knowledge.

Clearly this will be a big investment and there is no quick-fix solution.

It also requires a much closer relationship between industry players and the regulators, for example, as well as an increased level of education for all,

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MAKE WEALTH MANAGEMENT **DIGITAL, SOCIAL & PERSONAL**

DRAGON WEALTH

Brenda Yong
KP Financial Group

"If the industry cannot create the right culture to inspire Generation Y advisers to join it, then it cannot move forward"

adds Robert Foo, managing director of MyFP Services.

Ultimately, a more competitive environment will drive local players to evolve quicker by improving their skill-sets and capabilities, thus moving Malaysia onto a more prominent regional stage for its wealth management proposition.

PROFESSIONAL DEVELOPMENT

In short, consensus among industry leaders in wealth and asset management is that too many financial advisers in Malaysia are not client-centric enough. They also often lack product knowledge or are easily distracted by popular investments, such as gold.

"The key to success in creating a successful advisory culture is a strong work ethic and rigorous application," says Wong Boon Choy chief executive officer and executive director of MAAKL Mutual.

Foo says he sees the market gradually moving in that direction, but there is no shortcut. There should be no illusion – doing a better job for a client takes time, he explains. It requires individual wealth managers to take a long-term approach.

"You might talk to a client about an investment for three hours, after which they say they will 'think about it'. Trust is not built overnight, it takes time," explains Foo.

Steven Yong, first vice president and head of investment product & advisory at United Overseas Bank in Malaysia, adds that it is taking a long time for many relationship managers (RMs) and advisers to win back trust that was lost with clients following the 2008 financial crisis.

At the same time, clients expect more from banks today, he adds.

Wong at MAAKL Mutual says he has always opted for quality rather than quantity through a compensation strategy based around the notion of asset-based commission.

"The scheme is called BOSS (Build Own Service and Sell), but such an initiative is rare in Malaysia," he says. "This is a simple compensation system based on aspiration and healthy competition." For example, his firm's training programmes are focused on helping advisers build up their assets, and then it rewards them as they achieve this.

Brenda Yong, managing director of KP Financial Group, adds that the industry must strive to create certain qualities and facilitate the growth of purpose-driven and passionate advisers who elevate the interests of the client above their own.

However, she adds, if the industry cannot create the right culture to inspire Generation Y advisers to join it, then it cannot move forward.

MOVING AWAY FROM PRODUCT PUSHING

One of the challenges to delivering meaningful advice in Malaysia stems from the fact that many banks aggressively drive their own products to boost profitability.

From one perspective, having a full product range helps the domestic industry to be a lot more competitive and deliver a better return track record.

Advisers also need a broader range of products and services if they are to be encouraged to stay onshore, says Ong at OCBC, although she adds that there is some maturing taking place to cover different asset classes and more geographies."This is important to build credibility, both for themselves and the industry as a whole."

On the other hand, clients who feel safer using banks with established brands that they trust, need to be mindful of this perceived level of comfort.

"Some of these banks have fresh graduates selling products to clients who are twice their age," explains Ravindran Nair, a financial planner at Blueprint Planning. "There is a real need to

William Lee

Kenanga Investment Bank

"The government has been very open to [industry] education"

improve overall financial literacy – not just among the public, but also among the intermediaries."

K R Raju, founder and group chief executive officer of the Blueprint Group of companies, agrees. "Banks are selling products without formulating a financial plan for the individual. This means there's a mismatch between the risk profile of the portfolio and the risk profile of the client," he says.

Indeed, one of the best sources of genuinely independent advice should be within the IFA community.

The industry in Malaysia is at an early stage of development. Most bankers don't want to leave more stable, better-paid jobs and embrace the challenges associated with going it alone. But, says Raju, it is only a matter of time before clients recognise the value of independent advice.

To help Malaysia's IFA industry move forward, product providers such as insurance companies and investment platforms must provide more support, he explains. For example, these players need to be more transparent about products and margins, to help IFAs distribute them.

He is another of the many local practitioners who want to see the regulator play a bigger part in facilitating this change, as it ultimately wants to protect consumers.

CLOSING THE TALENT GAP

The fact that there is a relatively shallow talent pool in wealth management in Malaysia puts additional pressure on those organisations looking to grow their businesses.

" The key to success in creating a successful advisory culture is a strong work ethic and rigorous application."

"It's a challenge," says Anthony Siau, director, regional head, and group strategy & institutional business at RHB OSK Asset Management. "If firms don't put together an infrastructure, they are not in position to acquire talent."

Firms most likely to succeed, he adds, are those looking for long-term returns.

Siau's approach to making up the shortfall, for example, is to look for new recruits from within the broader service industry and then train them for 12 months, until they are in a position to service clients.

More broadly, there is agreement within the industry that Malaysia needs to formulate a concrete plan focused on talent and education if it wants to continue to make progress in developing a stronger financial advisory culture.

Efforts have already been made to close the talent gap through the introduction of required qualifications for financial advisers, explains Wong at MAAKL Mutual. "But," he adds, "the cost and time-consuming nature of these courses may be stunting Malaysia's growth."

"As an industry we need to make sure the market is open enough to allow practitioners to grow and build businesses," says Pramod Veturi, general manager, wealth management and priority & international banking, at Standard Chartered Bank.

"If we do that, younger people will come in and take it more seriously."

William Lee, head of wrap wealth management at Kenanga Investment Bank, says that the government has been very open to education.

He adds it is focusing on introducing a new syllabus that will include educational programmes and allow younger generations to play a more active role as well as enhance knowledge levels. ■

MALAYSIA'S PRESSING NEED FOR A BIGGER POOL OF ADVISERS

IF HIGH-LEVEL DISCUSSIONS ABOUT LOWERING ENTRY BARRIERS TO BECOMING A LICENSED FINANCIAL PLANNER COME TO FRUITION, THE INDUSTRY STANDS TO GAIN BY ATTRACTING MORE YOUNG TALENT, CREATING A LARGER PIPELINE FOR PRODUCTS TO REACH END-CLIENTS AND BREEDING MORE OF AN ADVISORY CULTURE OVERALL, SAYS ANDY LIM, GROUP MANAGING DIRECTOR AT PHILLIPCAPITAL MALAYSIA.

Despite the emergence of specific laws to regulate the financial planning in Malaysia around nine years ago, as a segment of the wealth management industry it remains relatively small and under-represented.

This is highlighted by the fact that there are only around 440 licensed financial planners.

Most of them are either a Registered Financial Planner (RFP) under the Malaysian Financial Planning Council (MFPC), or a Certified Financial Planner (CFP) under the Financial Planning Association of Malaysia (FPAM), or both.

"We are still in the infancy stage, and that has been the case for many years," explains Andy Lim, group managing director at PhillipCapital Malaysia.

This might soon change, however, depending on the outcome of discussions between the industry and Bank Negara Malaysia along with the Securities Commission to relax the requirements to become a financial planner.

"The existing universe of financial planners has the potential to double, triple or even quadruple within two years if there is liberalisation," says Lim.

REAPING THE REWARDS

A big deterrent to date to getting certified has been the required two years of study, he explains. "This is a big turn-off, as these same individuals can make as much money by selling unit trusts and insurance, and still often call themselves – unofficially – a financial planner or financial adviser, although not allowed legally."

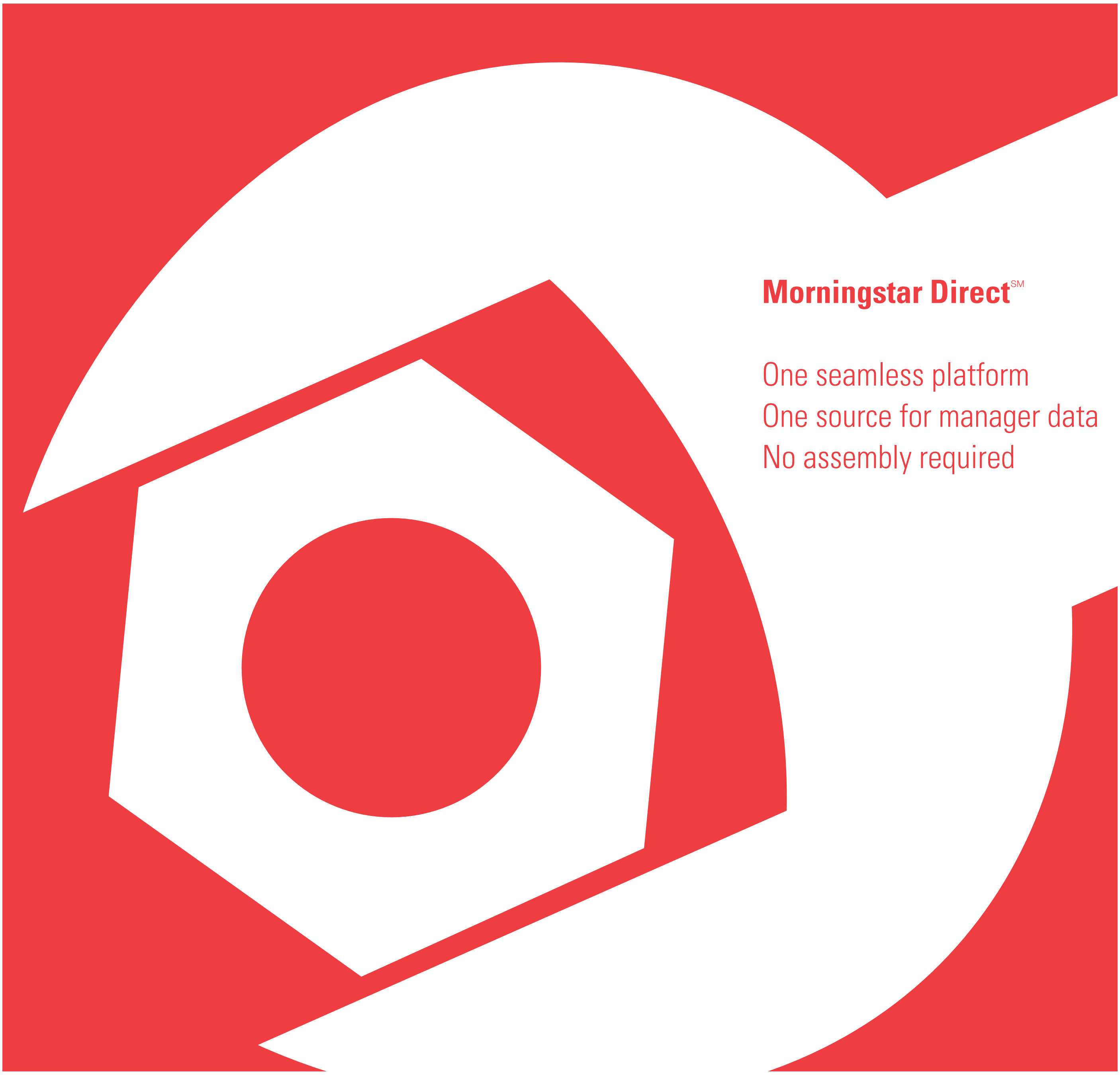
But this inevitably has its pitfalls. A true financial planner, says Lim, is someone who is able to analyse all aspects of their clients' financial lives – including savings, investments, insurance, tax and retirement planning – and come up with an effective plan to meeting all their targeted needs and goals.

And as middle-class consumers get wiser and more informed about wealth-related concepts, expectations are rising.

A deeper pool of registered financial planners will go some way to fulfilling this need. It will open up another main distribution channel for delivering relevant products to end-clients.

Another benefit of creating a larger pool of more competent and capable independent financial advisers is that the concept of fee-for-advice becomes more of a reality. And with more planners emerging, organisations will be further incentivised to invest in the required infrastructure to breed even more talent and give them the platform, product offering and other support needed. ■

Andy Lim
PhillipCapital Malaysia



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HOW TO SERVICE MALAYSIA'S WEALTHY FAMILIES

CAROLYN OH, PRINCIPAL OF CAROLYN OH & CO, ILLUSTRATES THE TOOLS REQUIRED TO ADVICES MALAYSIA'S WEALTHY FAMILIES.

While the concept of advice is still in its infancy in Malaysia, Carolyn Oh says in an interview that the desire is there, and families know they need to plan for the future.

These types of clients are simply uncertain about how to formulate that plan, she adds.

GETTING THE RIGHT ADVICE

Oh highlights that at this point in the process for many families, seeking the right professional advice is vital.

She was quick to warn that advisers who claim they can service all aspects of financial planning will not live up to these expectations; all families will require advice from multiple professionals on different aspects of their wealth management needs.

Language barriers can also present issues, she adds. Within the first generation, some were never formally educated. This can therefore make it more difficult for advisers to understand what they want if these clients are less capable of verbalising these desires or explaining them clearly enough.

In such cases, Oh says the second generation often participates to provide guidance – assuming that this correctly represents the desires of the client.

According to Oh, an increase in adviser education is needed in Malaysia to create a pool of adequate professionals.

But she is positive for the future. The influx of the second generation, for example, has helped to advance conversations given their overseas education and exposure in many cases. They are much more focused than their parents on legacy planning and various structures, she explains.

In terms of Malaysia as an investment destination, however, Oh says improvements are needed in relation to the concept of branding, for instance to boost its profile as a wealth management destination.

Carolyn Oh
Carolyn Oh & Co

CULTURE AND OPENNESS

For Oh, creating the right culture is vital. Clients appreciate honesty and openness, she says, and if advisers treat their clients in that way, they will return the favour.

For example, wealthy clients realise when an adviser is trying to push product, she says. Essentially, adds Oh, if a client realises that their interests are aligned with those of their adviser, then the communication will become more open, in turn leading to more relevant structuring. ■

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CREATING THE NEXT GENERATION OF MALAYSIA'S WEALTH TALENT

THERE ARE THREE KEY OBJECTIVES IF MALAYSIA IS TO CREATE A SUSTAINABLE PIPELINE OF CAPABLE WEALTH MANAGERS: MORE EDUCATION FOR EXISTING ADVISERS – BEYOND JUST PRODUCT KNOWLEDGE; INITIATIVES TO LURE NEWCOMERS TO THE INDUSTRY; AND CLOSER COLLABORATION BETWEEN GOVERNMENT AGENCIES AND MARKET PLAYERS.

There is widespread acceptance in Malaysia of the need to improve knowledge among relationship managers (RMs), financial advisers and other front-line staff across in the industry.

More robust training would help, say industry leaders, especially before individuals become RMs or advisers and get their basic level of certification.

The typical age of RMs at banks, for example, of 25 to 26, is too young without the right foundation, mentoring and career development programme in place.

Many practitioners say the regulators need to work more closely, or even hand-in-hand, with the industry, to boost the levels of competency.

"Professionals entering the market place should understand the concept of wealth management instead of just focusing on assets under management," says Robert Foo, managing director of MyFP Services.

Unfortunately in Malaysia, various senior practitioners agree that left to its own devices, the industry will revert to the same approach, because that is what people know. This is where the regulators and industry practitioners can come together to improve the market overall, he adds.

Robert Foo

MyFP Services

"Professionals entering the market place should understand the concept of wealth management instead of just focusing on assets under management"

STAFF TRAINING

In particular, there needs to be adviser education beyond product knowledge.

The biggest challenge many team leaders and senior management say they have with their businesses is to get new recruits to think, act and speak like a true "adviser" – not just talking about product solutions.

At the same time, however, to fully develop the market depends on there being an increase in the numbers of RMs who are more sophisticated in terms of their familiarity with the capital markets so that they can better advise clients and educate them.

This also includes bringing in the right product specialist to structure tailored

solutions for clients, explains Eliza Ong, managing director and regional head of group asset management at RHB OSK Asset Management.

"We also run seminars and training sessions for our partners, so we see RMs improving in their level of sophistication and understanding of the various asset classes," says Ong.

The investment process also needs to improve, she adds. "It is important to start with a plain vanilla product, and then as investors grow in sophistication, so does the product offering and investment style, too."

At CIMB Private Banking, meanwhile, Carolyn Leng, head of the Malaysian franchise, has been pushing to invest heavily in training and development for staff, across all functions. "This ensures that all personnel across the service delivery chain are well-equipped with the necessary knowledge and skill-sets to meet the needs of the increasingly sophisticated clients," she says.

Longer term, a potential benefit might also be to curtail the exodus of capable RMs from local banks in Malaysia to Singapore – which is seen as a centre of excellence that lures individuals to better pay and more prestige, from where they will service Malaysian clients anyway.

In terms of competency levels in the financial planning segment of the Malaysian wealth management industry, Foo at MyFP Services says he is certain that various education providers will enter the market.

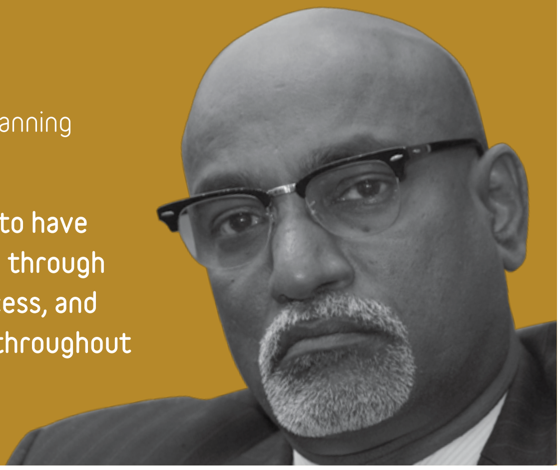
While there are two main providers for financial planning training generally, for example, knowledge levels are still too basic.

Financial planners, for example, currently require a Registered Financial Planner (RFP) licence or a Certified Financial Planner (CFP) licence. But Foo says that these qualifications don't deliver enough.

K R Raju

Blueprint Financial Planning

"People don't want to have to study for this, go through the application process, and then be monitored throughout their career"



In addition, advisers don't always want to have to complete the training and certification required to become a licensed financial planner. "People don't want to have to study for this, go through the application process, and then be monitored throughout their career," says K R Raju, founder and group chief executive officer of the Blueprint Group of companies.

Foo believes the industry needs a new style of qualification to reflect the different intricacies and complexities that exist in the market. Without this, the possibility of improper advice impacting Malaysia increases due to the relative inexperience of many advisers today.

To further help the situation, more effort to institutionalise the process of financial planning would also assist in making customers realise that the fruits of this approach are harvested over the longer term.

From a client perspective, common concerns they have stem from the fact that a lot of product gets created and then sold to clients without enough understanding of how it works and fits within portfolios.

While there is generic investment education for end-clients, the materials which banks produce focus on which products to buy, so lack credibility.

ATTRACTING FRESH TALENT

One of the biggest concerns for senior management in Malaysia is the lack of young, smart and enthusiastic graduates and other individuals to become the professionals of the future.

While the focus for many wealth management firms is the next generation of their clients – many of them tend to overlook the next generation of their own staff. Instead, organisations need to put in place a more dedicated and consistent effort to promote themselves at career forums and Universities. It is also within these types of environment where the discussion about what it is like to work in this industry needs to include expectations about ethics and general behaviour as a banker.

The industry therefore has a responsibility to make sure newcomers have the right guidance and grounding.

Khadijah Abdullah

Malaysian Insurance Institute

"There needs to be more commitment by all [insurance] players to invest in more rigorous recruitment policies, and also training and certification"

GOVERNMENT INTERVENTION

The government must play a greater part in this, too, say practitioners. For example, attracting younger people into the industry will be helped by offering specific wealth management courses at universities, or tuition in secondary schools on financial concepts as part of the curriculum. These are notable by their absence in Malaysia.

The upshot, say many industry leaders, is that many younger bankers are operating within the market yet don't know what to ask and how to start.

Recent initiatives in the insurance sector, meanwhile, have set a positive example of collaboration between regulatory authorities and the industry.

For example, Bank Negara Malaysia's (BNM's) Financial Sector Talent Enrichment Programme (FSTEP) is expected to help to develop new recruits. This is via intensive one-year technical training in banking and insurance, including Islamic finance and takaful, and near-real life simulations, workshops and case studies as well as on-the-job training through internships.

That is aligned with the training culture that the Malaysian Insurance Institute (MII) is striving to build on, with a combination of 100 technical programmes, plus professional accreditation, and with the Institute handling training and initiatives for over 100,000 individuals annually, says the Institute's chief executive officer Khadijah Abdullah.

That has sprung out of the demand in Malaysia for greater professionalism in terms of insurance, and in particular, ensuring more transparency and ethical practices.

As in other areas of wealth management, the challenge is to get firms to avoid being lured by short-term gains that don't provide as much opportunity for creating sustainable businesses. Automated systems and online offerings are among other enhancements being discussed.

MOTIVATING FACTORS

Senior management across Malaysian also wealth management say there is a need to better understand why young people in Malaysia want to work within the industry in the first place.

People who are entering the industry must view it as a profession – which often is not the case, according to practitioners. So they need to have the right expectations of what a career in wealth management means – rather than just assuming it leads to a glamorous, high profile and well-paying job.

An example of an initiative underway to address shortfalls includes a new programme launched in mid-2013 by CIMB, with PwC, Accenture, DraftFCB, Teach for Malaysia, HP and ZICOlaw.

It aims to help local graduates broaden their knowledge and cultivate varied skill-sets.

Called "CIMB Fusion", selected candidates have the opportunity to gain invaluable working experience with one of the six partners during the two-to-four year programme, in addition to banking and finance via a series of placements within CIMB Group. On completion, candidates may either continue with CIMB or join the partner. ■

Formal talent spotting

In a positive step forward for the local market, in July 2014, Bank Negara Malaysia announced the formation of the Financial Services Talent Council. The regulator said this is one of the initiatives identified under the Financial Sector Blueprint "to support a strong and competitive financial sector through a strategic focus on talent". In practice, the Council brings together prominent individuals to identify the future human resource demands of the industry and recommend strategies to develop, attract, retain and deploy domestic and international talent to meet that.

BRINGING IFA BEST PRACTICE TO MALAYSIA

FOR BEN BENNETT, FINANCE DIRECTOR AT INFINITY FINANCIAL SOLUTIONS, THE ROLE OF A FINANCIAL PLANNER IS TO ANALYSE WHERE THE CLIENT IS TODAY AND WHERE THEY WANT TO BE IN THE FUTURE – AND THEN CONSTRUCT A FINANCIAL PLAN THAT WILL HELP THEM ACHIEVE THEIR GOALS.

An ideal scenario for any IFA is to get clients coming to them through referrals, which often happens because they have had a poor experience with other advisers – either in terms of products they have been sold or due to a lack of ongoing service.

"There is a mistrust of the financial services industry, built up from many years of advisers not doing the right job," says Ben Bennett, finance director at Infinity Financial Solutions.

The best way to differentiate, therefore, is to do the right thing for clients. The first part of this strategy, explains Bennett, is trying to make sure the client's portfolio – if it is an investment client – is constructed properly and no longer in commission-driven funds. "In many cases we have to try to manage the client through the process."

BEST PRACTICES

A key way that the IFA community will develop, he says, is their realisation that they need more support generally, and especially in terms of investment decision-making. For instance, explains Bennett, it is not realistic that an adviser who is focused full-time on client service can also fully analyse the investment markets, interview managers and fully understand the structure of funds being offered, and then construct that into an investment proposition. "That's much better outsourced to somebody who specialises in that, so the IFA can focus on the financial planning side and help clients from the service perspective."

While there is a cost to a client from using an outsourced service, a specialist provider offers benefits such as access to a large range of funds at institutional prices that have undergone due diligence and research, says Bennett, plus a tried-and-tested template for the construction of their portfolio.

While Bennett says he still earns a combination of upfront and renewal commissions on the products through which clients invest, longer term the firm is looking to increase the proportion of its income from the asset management side. "We're building a sustainable model where we are in a position to continue to give the client good servicing over the longer term," he explains, "rather than earning commission on a fund sale where there isn't any incentive to look after that client afterwards."

Ben Bennett
Infinity Financial Solutions

However, in all the countries where Infinity Financial Solutions holds licenses, it is not purely looking at the investment side but at offering a financial planning service. "That includes all protection needs such as health insurance, income protection and life insurance, at both individual and group levels, if it is a business," says Bennett. ■

2015 EVENTS & PUBLICATIONS

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JANUARY 2015

Forum
Compliance in Asian Wealth Management Forum 2015
Thursday 22nd January, Pan Pacific, Singapore

Publication
Asset Management Yearbook 2015

FEBRUARY 2015

Forum
Asian Wealth Management Forum 2015
Thursday 12th February, Conrad, Hong Kong

MARCH 2015

Forum
Independent Wealth Management Forum 2015
Thursday 12th March, Pan Pacific, Singapore

Forum
Taiwan Wealth Management Forum 2015
Thursday 26th March, Le Méridien Taipei

Publication
Independent Wealth Management in Asia 2015

APRIL 2015

Forum
Indian Wealth Management Forum 2015
Tuesday 7th April, Four Seasons, Worli, Mumbai

Publication
Family Wealth in Asia 2015

Publication
Igniting the Digital Revolution in Wealth Management 2015

MAY 2015

Forum
Thailand Wealth Management Forum 2015
Tuesday 19th May, Four Seasons Hotel, Bangkok

JUNE 2015

Forum
Igniting the Digital Revolution in Wealth Management Forum 2015
Thursday 18th June, Pan Pacific, Singapore

Forum
Malaysian Wealth Management Forum 2015
Thursday 25th June, Le Meridien, Kuala Lumpur

Publication
Wealth Management in Asia 2015

Publication
Special Report on Insurance in Hong Kong 201

JULY 2015

Publication
Swiss Private Banking 2015

Publication
Wealth Management in Malaysia 2015

AUGUST 2015

Forum
Indian Private Banking Forum 2015
Thursday 20th August, Mumbai

Publication
Special Report on Equities 2015

SEPTEMBER 2015

Forum
Wealth THINK 2015
Tuesday 22nd September, Pan Pacific, Singapore

Forum
Asian Wealth Management Forum 2015
Wednesday 23rd September, Pan Pacific, Singapore

Publication
Special Report on Investment Advice 2015

Publication
Special Report on Income 2015

OCTOBER 2015

Forum
Indonesian Wealth Management Forum 2015
Thursday 22nd October, Four Seasons Hotel, Jakarta

Forum
Swiss-Asia Wealth Exchange Forum 2015
Thursday 29th October, Park Hyatt Zurich

Publication
Special Report on Insurance in Singapore 2015

Publication
Special Report on ETFs 2015

Publication
Wealth Management in India 2015

NOVEMBER 2015

Forum
Wealth Planning Forum 2015
Thursday 5th November, Pan Pacific, Singapore

Forum
Igniting the Digital Revolution in Wealth Management Forum 2015
Thursday 12th November, Four Seasons, Hong Kong

Forum
China Wealth Management Forum 2015
Thursday 26th November, Grand Hyatt, Shanghai

Publication
Adviser Technology in Asian Wealth Management 2015

Publication
Special Report on Emerging Markets 2015

Publication
Wealth Planning 2015

Publication
Swiss-Asia Wealth Exchange 2015

Publication
Special Report on Alternative Investments 2015

DECEMBER 2015

Publication
Special Report on Commodities 2015

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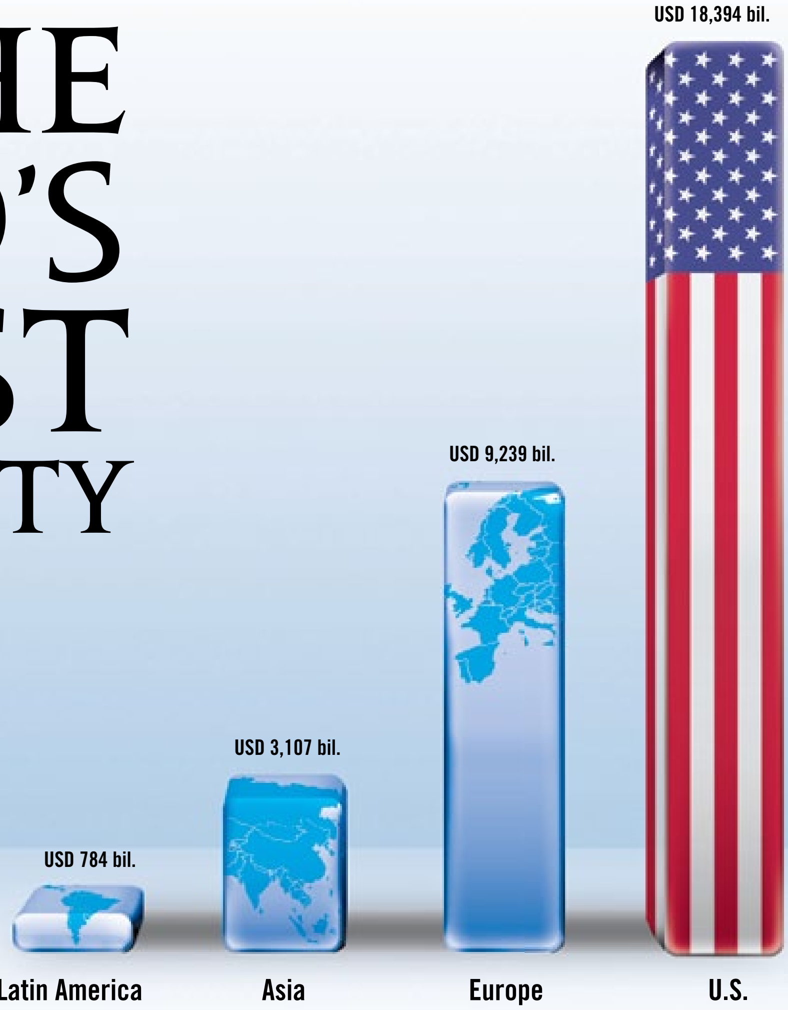

Market Capitalization by Region[1]

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