

Existential Risk and the Need to Embrace the Digitisation of Wealth Management

Swissquote serves its entire global client base of more than 300,000 customers entirely through a digital interface. Damian Hitchen, CEO for the Middle East and Asia, believes the digital revolution is picking up steam and warns that those in the wealth management industry who do not embrace change face possible extinction as smarter, bigger and more resourceful entrants pile in.

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HITCHEN SPOKE AT THE Hubbis Independent Wealth Management Forum in Hong Kong to warn of the clear and present danger to private banks and wealth management firms who do not embrace digitisation and who do not adjust their business models and practices to win over the newer and future generations of Asia's wealthy. "For wealth management firms today, having a digital platform is, quite simply, a prerequisite to remaining in the business," claimed Hitchen as he addressed the audience. "Our view is very simple - the risks for those providers or service



[DAMIAN HITCHEN](#)
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companies that do not have a digital platform is that many will neither survive nor prosper.”

Watch out, there are giants about

This was a harsh warning to listen to, but one that Hitchen says needs to be repeated, time and again. “Many of the global major banks are only just now embarking on their digital journeys,” he reported. “Many others in the wealth management business are barely reacting at all.”

Hitchen cautioned against this complacency. “The industry also needs to view competition as emerging from many different directions, for example from the major global social media platforms, that have hundreds of millions, even billions of clients, and not just from the incumbent, traditional providers of today”

He referred the audience to research that shows that wealthy Gen Y millennials increasingly connect and use non-traditional banking, private banking, wealth management players as their preferred provider of financial services.

“This is all clear to see,” Hitchen reported, “and from our perspective there is no doubt that is why we have made that journey over the last 15 years and continue to do

so, but the research also shows that the wealth management industry is lagging far behind other financial services sectors such as remittances/payments, insurance and credit general and not much has changed in the past couple of years.”

He noted, for example, that the Hong Kong Monetary Authority last year announced a virtual banking license and is likely to issue some more licenses, potentially in December this year. “Some of the major global Big Tech firms such as Alibaba and Tencent are reportedly applying,” he noted, “so it will be fascinating to see how that plays out.”

“The evolution towards younger generations creating and holding more private wealth,” Hitchen elucidated, “means that whilst they many will continue to take their advice face to face with their trusted partners, they also, as a minimum, want to be able to see the information, they want to be able to see their portfolio at their fingertips. Accordingly, the provision of information to HNWIs must in our view continue to evolve.”

Hitchen is therefore convinced that the ‘new normal’ for the wealth industry is the digital delivery of wealth management. “According to one survey,” he noted, “at least 65% of HNWIs review their portfolio

at least weekly. If the wealth advisory industry cannot provide the basics, then it will be an increasing challenge especially as the next generation of wealth clients will be digital natives.”

Information, access, functionality

Hitchen maintains that providers need to be able to offer their clients, their relationship managers and their bankers the fundamentals, which he explained are information, access, and functionality.

“All our Swissquote clients around the world manage their bank accounts and their global trading via a PC, a tablet, or a smartphone,” he explained. “Our unerring focus is moving wealth management and the customer experience into the digital world.”

Swissquote’s customers include B2B, for example, full-service global banks, private banks, independent asset managers, or family offices, all of which are looking to provide their clients with an enhanced digital experience.

To create or optimise digital platforms it is essential to make significant financial and managerial investments in new technology. “Any firm considering taking such steps should do so deliberately,” Hitchen advised, “with the appro-

priate investment and also with the best possible partners, if they are unable to deliver in-house”

Plan your digital journey well

“You can only move as fast as your slowest part,” he observed. “If you are a bank, for example, and you are linking platforms or partners into your core banking system, then be very aware that it is not just about your partner or your link; it is about your core banking system, as well. If your slowest part is very slow, you will move very slowly.”

As banks and wealth providers move ahead into the new digital landscape, Hitchen advises that they constantly reassess their digital journey. “Too often,” he said, “the digital experience simply does not work properly, slowed down by inappropriately structured technology solutions or for many of the banks their legacy systems.”

Hitchens highlighted certain

other risks to moving fully digital. “When you become a digital provider of services, you need to be aware that there will be increased cyber risks. My advice is you must be comfortable with your partners, your custodians, your execution brokers and so forth.

Watch the competition... from every angle

“Why else do we need to evolve?” he pondered. “Because if the industry does not evolve - and the statistics would suggest it is not evolving fast enough - then competitors, which could be existing or new “non-Bank” entrants with more resources, less legacy challenges and greater digital capabilities will come in and take the business away. There is a huge threat of digital disruption, so this industry needs to react....”

It is not as difficult as it once was, Hitchen explained, to connect what the industry call nodes, for example, to enable forex transac-

tions, robo-advisor, or a managed portfolio strategy. “Those gigantic e-commerce and/or social media platforms already have hundreds of millions, or billions, of customers, they already have the relationship and the trust established, so as an industry we need to be very aware that the competition will not just be amongst ourselves and the existing players, it will be a new and challenging competitive landscape.”

Hitchen, therefore, advised institutions, even those with very large client bases, to move rapidly with the digital transformation. “Clients will increasingly prefer to deal with only a few providers rather than dealing with multiple providers, so enhancing via technology in our view will play a major role in building and maintaining that trusted relationship. Doing nothing is not an option. We all need a clear and proactive approach, or as I said at the outset of this talk, we put our businesses at risk.” ■

