

Democratising Asia's mid-market accredited investment space

Crossbridge Capital Asia's CEO, Yai Sukonthabund, and Head of Digital Strategy & Distribution, Charlie O'Flaherty, talk to Hubbis about how their evolving business model, technology and first-to-market fully automated offering is bridging the gap in the mid-market accredited investment space and the firm's quest for regional expansion and assets under management (AUM) growth.



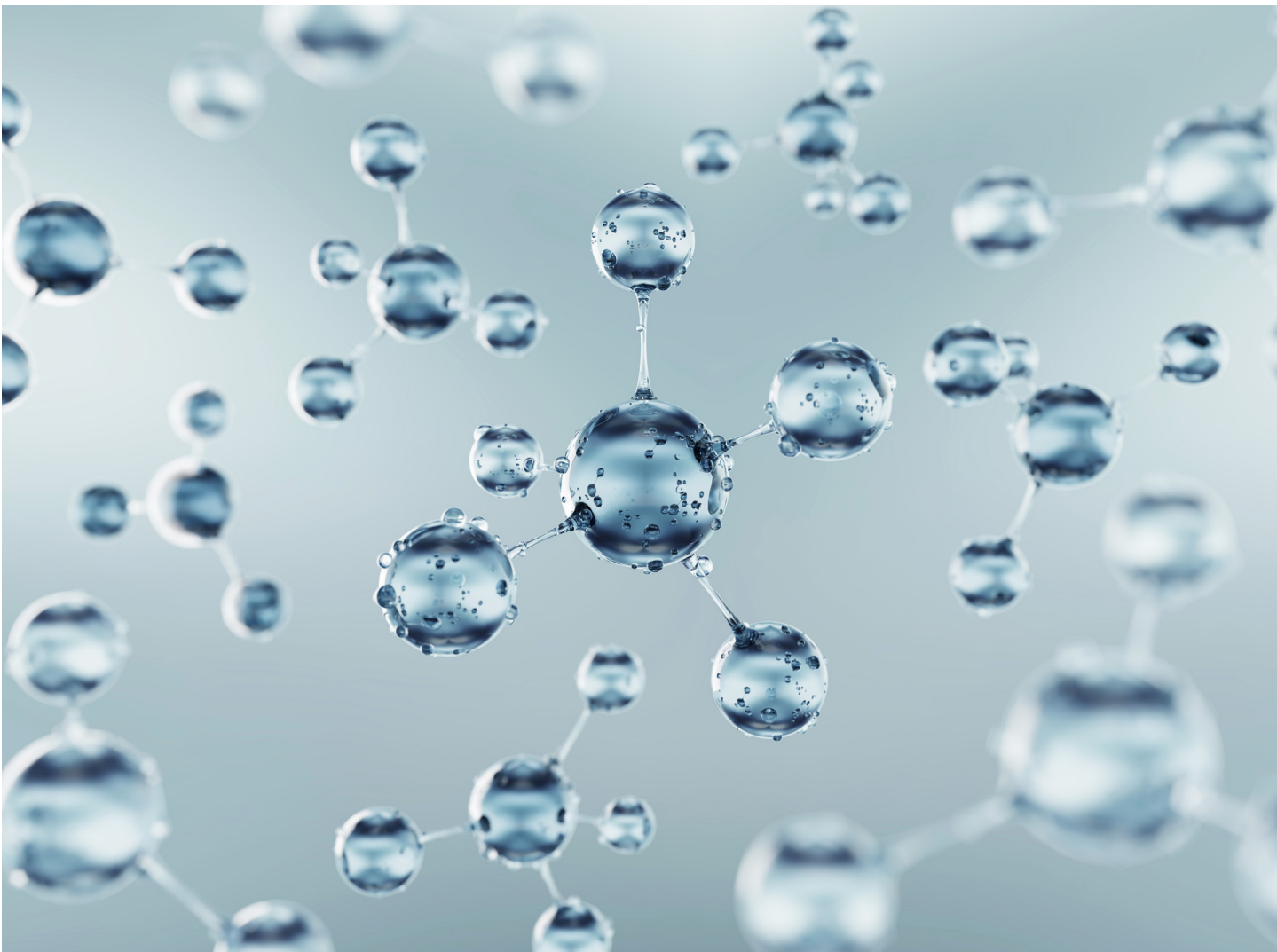
Executive summary

Many wealth managers exclusively focus on high-net-worth (HNWI) individuals, ignoring the mass affluent market that is currently underserved. Crossbridge Capital decided to fill that gap with its CONNECT by Crossbridge platform, Singapore's first and largest actively managed digital advisory service for accredited investors.

Having teamed up with top-tier industry providers Pershing, Morningstar and Julius Baer, it built the platform using technology to reduce fees and keep overheads low. With the aim of democratising investment for accredited investors, it has effectively moved its business from a retrocession model to a digital 'fees for assets under management' model, providing active control over net income.

A sensible approach to the asset classes on offer has been taken for CONNECT clients who prefer investments that allow them to sleep easy at night. Products on offer are stocks, bonds, structured products, and funds.

Whilst the platform was slow to start, it quickly gained traction and currently stands at over USD200 million. Crossbridge Capital believes that its focus on the mid-market and the technology it employs will position the firm well for expansion into the region (with immediate sight into Hong Kong and Thailand) and further AUM growth.



CROSSBRIDGE CAPITAL Asia is making waves in the mid-market (AUM) sector. Whilst competitors are focusing on high-end wealth management, the firm is taking a different approach to help drive its AUM growth and expansions plans.

Yai Sukonthabhund, CEO of Crossbridge Capital, comments, “We have gone into fintech by putting up CONNECT, which is our hassle-free, fee efficient method of bringing clients in with smaller AUM than will typically be required at the private banks.

“What we’re looking to do is democratise it for the accredited investors. What we’re finding is that the ultra-high net worth segment is being serviced very well, and over-banked in fact, whereas the middle sector is generally suffering in terms of service and fees.”

CONNECT by Crossbridge was developed to meet this aim. It is a low touch, high efficiency, fully automated investment platform for accredited investors. It is also the first to offer end-to-end digital onboarding. One of the strengths of the firm is the economy of scale that it can bring to clients - and that ultimately means lower costs with no commissions, administrative fees, brokerage fees or hidden charges.

Backed by its MAS-regulated singular entity, CONNECT does not hold client assets. Instead, once signed up, assets are custodied with BNY Mellon’s Pershing LLC. Investment advice for the CONNECT Portfolios is supported by independent research firm, Morningstar, in conjunction with Crossbridge Capital’s own in-house team of investment advisers.

This approach has seen their business model evolve from its early days as a classic wealth

management firm. Bringing in a lower cost platform means Crossbridge Capital remains profitable with smaller accounts as it is running them through Pershing. O’Flaherty says, “We continue to service the larger accounts in the traditional style. I think between that and [the move] from a retro model to a fees for assets under management, we can manage our net income a little bit more actively than someone who’s stuck in a large bank. And we have low overhead.”

Targeting the mid-market

Crossbridge Capital launched its platform in November 2016 to mass affluent individuals in Singapore, bound by its license to service accredited investors and not pure retail.

“If you’re a Singaporean with SGD1 million worth of savings what would you be looking for?” says Sukonthabhund. “First of all, to access the private banking platform you probably need about SGD5 million of liquid assets in order to sign up as a client with most of these banks. At that level of wealth, you’re still not one of the biggest clients and you would not get their highest level of service. You don’t have SGD300 million, for example.”

Crossbridge Capital was unsure how their target market would respond. It need not have worried. Whilst it was very slow initially, it quickly picked up steam and currently boasts over USD200 million in AUM.

O’Flaherty comments, “We limit our offering to accredited investors because we can have products that are appropriate for accredited investors. So aside from the normal ETFs that you might find in a portfolio, we might have exposure to alternative assets

Key Priorities

Key priorities for Crossbridge Capital in the year ahead include regional expansion and AUM growth, taking their technology and services to the mass affluent market elsewhere.

Hong Kong and Thailand are expected to be the first line of expansion with others to follow. For Sukonthabhund, regional expansion and the growth of AUM are intrinsically linked with the focus firmly on generating volume, ensuring maximum efficiency and offering transparent fees.

“Clients are not tolerant of higher fees. They are gravitating towards paying for something that’s worth their time and to be honest, there is no reason clients need to be charged two, three percent a year when they’re not getting the right service. What we do is we charge less so it’s a volume game. We want much larger AUM at the end of the day to become more successful,” concludes Sukonthabhund.

like hedge funds. We use a very efficient product called Actively Managed Certificates (AMCs) which currently is not a retail offering.”

The right product offering

Despite the option to include a broad range of asset classes, Sukonthabhund is clear on the boundaries. “We don’t need



YAI SUKONTHABHUND
Crossbridge Capital

to pitch crazy ideas,” he says, referring to products such as credit derivatives. “We try to stay with the sensible stuff. You’d be surprised to find that people in that HNWI sector are actually very interested in the so-called ‘bare bones’ platform. It fulfils all their needs and it comes at a much lower cost.

“Our platform is able to accommodate an investor who is looking for stocks, bonds, FX, structured products, funds. That actually covers most of the investment universe for most HNWI people.”



CHARLIE O’FLAHERTY
Crossbridge Capital

Getting Personal

Since 2010, Yai Sukonthabhund has held the position of Partner & CEO of Crossbridge Capital. With many years of experience in trading and private banking, Yai has worked for well-known firms such as Bank Julius Baer, Citigroup and Deutsche Bank.

Born in Pakistan, he lived in India and then Israel where he graduated high school. Sukonthabhund then studied mechanical engineering at Cornell University, USA before coming back to Thailand to work as an engineer before deciding better opportunities lay elsewhere. It was then that he entered the world of banking at Deutsche Bank in Bangkok before transferring to Singapore.

Sukonthabhund is married and has a 10-year-old daughter. When he’s not working he enjoys reading and traveling, having recently visited Shanghai with his family.

Charlie O’Flaherty is Partner - Head of Digital Strategy & Distribution at Crossbridge Capital, a position he has held since 2015. His remit is to unify the firm’s human advisors with the latest technology to meet client needs and to enhance the investment service offering.

Previous to this, he also held high-level positions at several financial institutions including Bank of Ireland Global Markets, ABN AMRO, Countrywide Securities Corp, HSBC Securities USA (APAC) and Prudential Securities.

The son of a bond trader, O’Flaherty was born in New York and educated at the University of Miami, before he started his career in his father’s footsteps as a government bond trader. Married with two children, 11 and 13, he likes to spend time with his family and go sailing. O’Flaherty also enjoys rugby and football and supports the Irish Rugby passionately.

Crossbridge Capital found that post-GFC, most people wanted simple investments that would allow them to sleep at night. “They buy bonds, they buy equities, they buy simple structured products. If you’re accessing a lower touch type of product you should pay a lower fee for it. If you want to have the 300 km per hour car you buy your Veyron, but most people don’t like to drive that fast,” says Sukonthabhund.

Fully automated platform

A key component underlying the whole platform is AI-driven technology. By using Bambu’s deep learning, artificial intelligence function called People Like Me, clients can access huge volumes of data and calculations to help them select appropriate goals.

“We built the initial solution in tandem with Bambu,” comments O’Flaherty, having worked with them for some of its IP. “We’re on

version 3.0, and now about 90% or so of the solution is in-house.”

The client onboarding is fast and simple. “Provided you fall within our classified risk parameters, generally you’re onboarding is 100% digital,” says, O’Flaherty.

“The account is in your name at BNY Mellon’s Pershing, totally segregated from Crossbridge. We have power of attorney to operate that account on your behalf. Pershing won’t face individual investors unless they come through a Capital Markets Services (CMS) licensed entity like us,” he continues.

Crossbridge Capital imparts a partial opportunity to manage the account based on the needs or criteria that have been provided by the client. But even though the firm has full power of attorney, clients retain control. O’Flaherty comments, “We’re limited to operate the account on your behalf at your instruction. Those instructions can be digital, which they typically are, where you set a goal, set your risk levels and decide on what your portfolio will be and then send instructions to buy it. Or we can take voice orders as well.”

O’Flaherty continues, “From a client’s point of view it’s discretionary as they don’t have a say as to what happens when the portfolio gets rebalanced. The client decides which portfolio to be in, but we run the portfolio behind the scenes. That’s different, I suppose, from a traditional portfolio, but it is a little bit less than the amount of control you would typically have in an advisory account.”

Crossbridge Capital is also providing a bespoke B2B solution. “The highest touch deal we’ve done to date involves a local market issuer of product, a local

market custodian, our digital interface for the users, and our running the hedge. It’s very much of a joint venture.

“This particular partner is a solid publicly listed broker-dealer that wants to grow through offering a digital interface to their clients and to attract more salespeople the same way,” he continues.

Positioned for expansion

With a successful start to its mid-market approach, Crossbridge Capital is gearing up for expansion including Hong Kong and Thailand. The firm believes its operations in Singapore are a distinct advantage that stands it in good stead. Sukonthabhund comments, “Singapore’s a great base to start a business because it’s safe and it’s a well-regulated jurisdiction which is highly respected in financial circles.”

This, he says, will enable Crossbridge Capital to enter jurisdictions which are not as established, have other concerns or - have the facilities that are not offered in Singapore. Sukonthabhund continues, “Singapore has very high standards especially in financial services, much higher than some of the countries that are around it, it’s a simple fact.”

“Using that, we can go out into the region and through our technology we can offer that level of service to the mass affluent in those places. The idea is, we would be working with partners in order to go out there and set up in different countries.”

Another great advantage that Crossbridge Capital has is its attitude towards transparency and efficiency. O’Flaherty comments,

“We’re 100% transparent when it comes to fees. There’s no agenda, we don’t have a product desk here pushing trades. We’re not building any hidden fees into the trades. We are committed to being as efficient as possible. We have access to all the products that your bank has access to, plus institutional levels of coverage from the brokers’ brokers.”

O’Flaherty feels that the regulatory environment in Asia will, over time, reflect Europe. “What this means is more transparent fee structures, a flat playing field for competition...No hiding of fees, retrocessions are going away in Europe.”

“Singapore’s heading in that direction and soon enough, many other countries will follow suit,” he concludes.

Crossbridge Capital Asia - At a Glance

Crossbridge Capital Asia is an established global wealth management company with three licensed jurisdictions including Singapore, Monaco and London. Established in 2008, it has more than USD4 billion under supervision.

The firm has three tiers of product offerings: a full service traditional Independent Asset Management custodied with private banks, CONNECT Prime, which provides private banking level services with a lower minimum account size of SGD 500,000, and finally the automated, CONNECT platform, which offers AMCs for investors who want to take a “set-and-forget” approach. This differentiates the firm from specialty product offerings sold by private banks including complicated derivative products. ■