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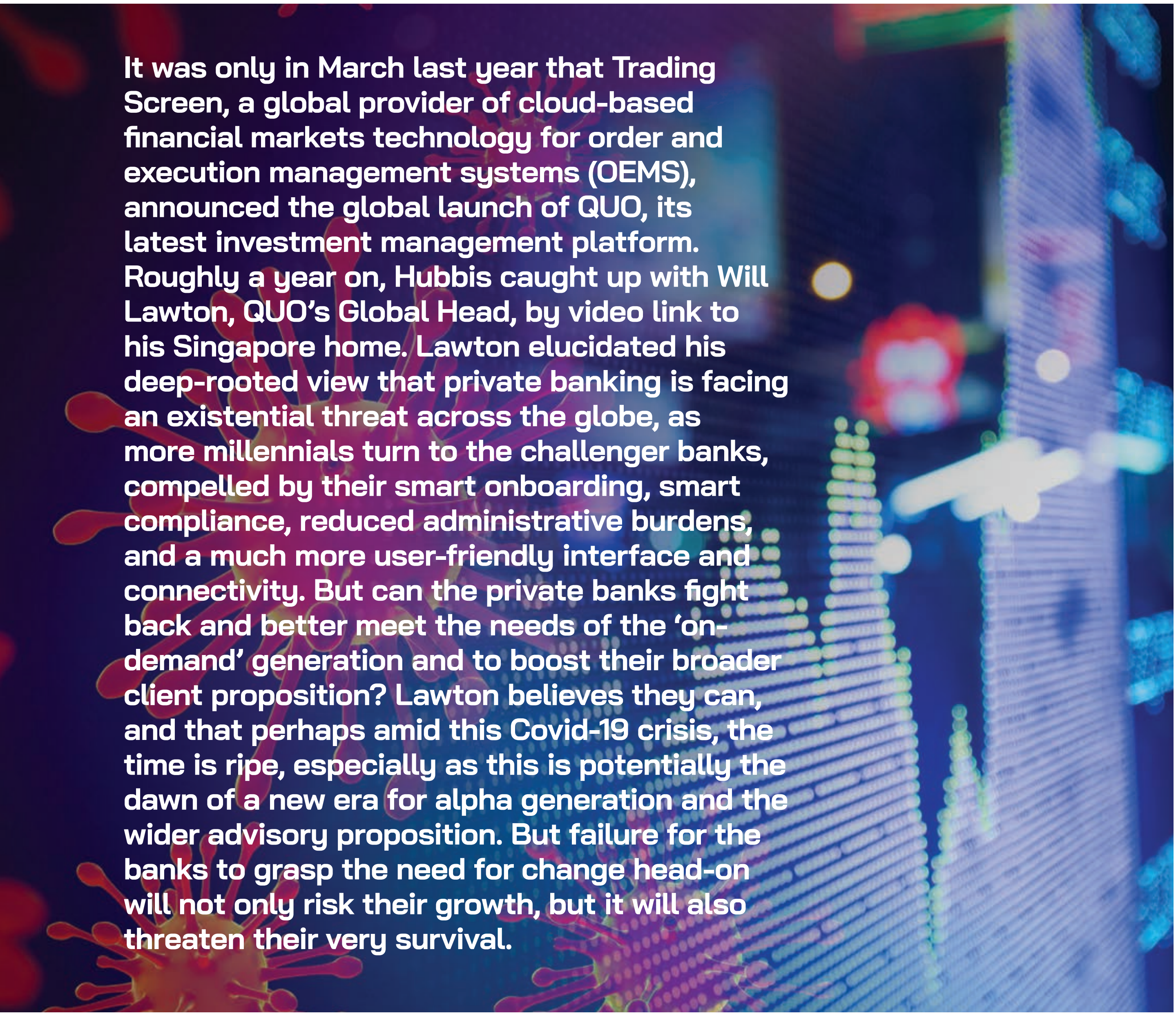
QUO's Will Lawton Sounds the Bugle for Asia's Private Banks and Wealth Management Leaders



It was only in March last year that Trading Screen, a global provider of cloud-based financial markets technology for order and execution management systems (OEMS), announced the global launch of QUO, its latest investment management platform. Roughly a year on, Hubbis caught up with Will Lawton, QUO's Global Head, by video link to his Singapore home. Lawton elucidated his deep-rooted view that private banking is facing an existential threat across the globe, as more millennials turn to the challenger banks, compelled by their smart onboarding, smart compliance, reduced administrative burdens, and a much more user-friendly interface and connectivity. But can the private banks fight back and better meet the needs of the 'on-demand' generation and to boost their broader client proposition? Lawton believes they can, and that perhaps amid this Covid-19 crisis, the time is ripe, especially as this is potentially the dawn of a new era for alpha generation and the wider advisory proposition. But failure for the banks to grasp the need for change head-on will not only risk their growth, but it will also threaten their very survival.

It was the 5th of March 2019 when the global launch took place for QUO, a unique cloud-based 'software-as-a-service' investment management platform. QUO offers investment managers efficient and streamlined execution across multiple workflow streams. "For wealth and investment managers," Lawton begins, opening the discussion, "adding value to clients is at the top of the agenda, ahead of complex and costly IT solutions. QUO represents an outstanding lighter-touch OEMS that is easy to deploy and that simplifies investment management processes, from the start of day file uploads to order execution. We see this as an essential part of what is a vital and very pressing need to bring incumbent private banks and other wealth management firms into the modern world."

A COMPELLING OFFERING

Different features of QUO allow investment managers to adjust seamlessly between different trading strategies, giving them a more comprehensive view of their portfolios. The premise of the QUO 'software-as-a-service', cloud-based solution and platform is, therefore, to enable execution across multiple workflow streams, adjusts between different trading strategies, offers a wide-angle view of portfolios and allows users to trade directly without having to log into multiple portals. This means firms with various trading systems will be able to view all asset class activity using just one screen efficiently. By doing so, QUO can help propel the incumbent banks and their legacy systems and practices into a much more competitive situation.

Lawton is based full-time in Singapore, which is in fact, where he was born and raised. His parents arrived in Singapore in 1950, when his father was an engineer for General Electric Company, and then they stayed on and became Singaporean citizens. Accordingly, Lawton is fully at home in Singapore and fully versed in the business and social nuances of Asia.

THE 360-DEGREE VIEW

He also has extensive experience of working in wealth management gained over some 30 years with leading banks, half of which was in Asia, with his most recent role before QUO being Head of the Investment Group for HSBC Private Bank in Singapore. Add to that his 15 years with RBS that included four years as the CIO for the private bank arm, RBS Coutts, based in Zurich, and one can easily understand why Lawton has such an outstanding perspective on the world of wealth management and private banking.

"These days," Lawton reports, "the incumbent private banks are in a very tough place, even before this Covid-19 crisis. So many Millennials have been drawn to trade via the digital, online platforms that offer far more advanced digital experiences than the banks can offer. While some private banks talk a good game around technologies, such as artificial intelligence and using machine learning for robo-advisory, the reality is that they are not yet using these tools in a way to combat the competition. The vast majority of these firms still handle their trading manually, rather than digitally."

ADAPT AND ADVANCE

The message Lawton wants to stress is the absolute need for private banks and other incumbent players to adapt and to advance. "They can't put their heads in the sand any longer," he exhorts. "They have to be proactive and, ironically, the banks have a great opportunity out of this Covid-19 crisis to see that there is already a new normal out there and now even more so. Those that do not make smart decisions will be the losers, as they will not overcome all of the many challenges that they face ahead."

Lawton contends that it is easy to see why the private banks find themselves looking to collaborate more with FinTechs. After all, he remarks, like most of the industry, private banks have had to manage a prolonged period of dwindling revenues and relentless cost-cutting, hardly an ideal backdrop to fight back against new and what he terms 'funky' brands with significant promotional and marketing budgets.

However, to simply put the problem down to the bottom line would be misguided, Lawton contends. "What we are seeing through the rising influence of disruptive technologies surrounding the world of investments is something that is rather the antithesis of private banking," he reports, "namely, the diminishing of human interaction."

TECHNOLOGY TO BOOST, NOT DISPEL

While personal relationship management has been, and will in his view continue to be, the beating heart of private banking, Lawton worries that private banks have lacked the aggregation capabilities to properly communicate the expert advice they are giving clients and to fully utilise the skills and capabilities of their relationship managers (RMs).

WILL LAWTON
QUO

"The answer to gaining business back from the new millennial-friendly banks," he asserts, "is therefore in striking the right balance between increasing aggregated automated advice and adopting digitisation without losing the true value-added that skills and capable people bring to the table."

This all starts by identifying specific areas of the business where technology can assist, rather than replace, existing business models. He highlights, for example, what he calls the 'thorny' issue of cross-border rules, a major hurdle as most private banking is carried out offshore.

Consider, he says, the typical case of a wealthy client and their assets being booked in Singapore, and the relationship manager who is also based in that region. What happens if that client goes on a holiday or a business trip to London, and they have a significant proportion of their assets tied up in the FTSE 100 which suddenly suffers its worst trading day of the year due to some unforeseen event such as the coronavirus crisis? "As soon as the client lands in Britain, they are under UK law," he observes, "But, the relationship manager legally cannot start advising their Singapore client how to get out of their long positions in FTSE stocks as they are not regulated in the UK."

Lawton believes the use of automation would help overcome this type of situation. "The bank would know exactly where the client is calling from and precisely where the assets are booked," he observes. "Accordingly, a relationship manager could, therefore, advise on how clients might get out of their positions and execute on new trades. In this case, using the QUO platform, the portfolio manager would be able to see the client portfolio from one screen, which means they can advise accordingly based on client performance and risk factors in real-time data."

This, he maintains, most certainly beats someone having to sit through laborious legal exams for each jurisdiction where the private bank might have clients. "No relationship manager would be able to remember more than three or four countries' rules," Lawton maintains, "especially if the client is travelling on business or on holiday – but rest assured a machine will be able to."

ENHANCING THE HUMAN

His hypothesis is therefore that if implemented successfully around issues such as the long-standing cross-border challenge, or other key issues, then far from being an antithesis, AI actually becomes an enhancement to the human-driven investment services that private banks can deliver to the younger generations of clients. "By removing cross-border headaches and giving clients an online platform to trade, a bank can substantially improve its operations and provide a niche, competitive and seamless service to clients that rivals that of the online brokers," he reports.

THE LAST CHANCE SALOON

Lawton is not afraid of delving deeper to tackle the implications of the current crisis. "My worry is that we really did not learn many lessons from the global financial crisis, and I believe this one is even more significant, and the impact will be longer and sharper," he comments. "But the key to surviving is adaptability. Unfortunately, in the past, too many banks have found it easier to avoid decisions, and they now need to face a host of challenges and hurdles, including what was transpiring before this crisis. I would argue this is now basically the last opportunity that these organisations have to adapt their processes, systems, workflows, and how they deliver their services to clients."

Lawton reiterates that while he is a believer in the power of technology, he is not a believer that technology will replace the human capacity, as the human touch will, in his view, remain central to wealth management.

ALIGNING THE DIGITAL AND THE PERSONAL

"The digitalisation that is available must be aligned and structured to improve workflows, improve efficiencies, improve compliance, improve pricing and deliver coordinated information and support to the private banker, rather than just relying on his or her personal capability," he states. "Accordingly, embracing these technological advances and opportunities is vital to future stability and success for the incumbent banks and other firms. Those who do not will risk losing clients and losing their business."

Lawton sees a divergence ahead, with some private clients wanting to continue the same modes of engagement with their private banks in the future, while others will want more seamless remote and full-service access.

Lawton reports that he has been dismayed, especially in Asia and particularly amongst the local and regional banks in Asia, to see how few of them have an interest in engaging in a discussion about fixed connectivity. "They are effectively protecting their backyard by not giving their clients freer access," he observes.

"For ten years since the global crisis, volatility has been low, and markets have performed so well. Simply buying into the US market and sticking to passive instruments has really been the best policy. And trying to produce alpha has been extremely difficult; it has been a very beta-friendly environment. That means private banks and portfolio managers have struggled as they would have found it very tough to match or beat the indices, thereby diminishing their apparent value-added."

"Whichever type of client is out there," he observes, "the banks in general also need to significantly improve their execution of orders, processing them swiftly and accurately. The entry price for products is now much lower and more transparent than before, commissions considerably lower than in the past, but clients can lose out badly with poor execution of their trades, and that cannot be a source of discontent amongst the clients, given the immense and rising competition out there. Accordingly, I think there will be a major upgrade of execution practices and workflows, offering this capability directly to the clients or to the RMs, or both, rather than orders being processed, perhaps poorly and slowly, through some centralised desk."

"Nevertheless, we had seen some positive signs that this was starting to change, so there is some encouragement there."

ALPHA RISING- A NEW DAWN AHEAD?

Looking ahead, Lawton sees a very different investment landscape from the past decade, and just possibly it might be one that will bolster the more traditional wealth management model, providing the incumbents do indeed grasp the nettle of change.

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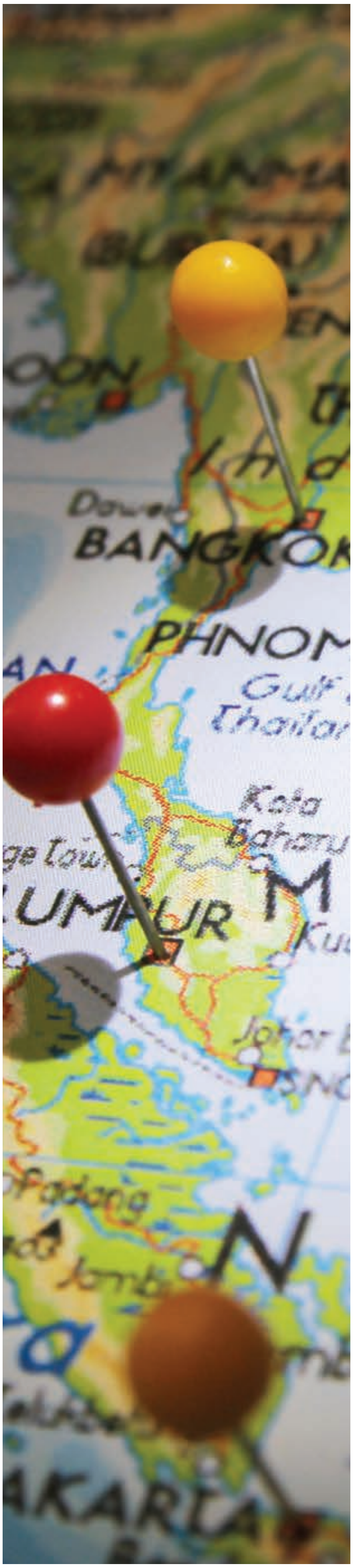

very beta-friendly environment. That means private banks and portfolio managers have struggled as they would have found it very tough to match or beat the indices, thereby diminishing their apparent value-added. At the same time, the online platforms have reached out to the higher net worth investors and attracted them, offering easy access to easy to understand passive investments."

But the world is very probably in for a sustained peak period of much higher volatility as the full extent of the virus' impact on the global economy is felt. "With higher volatility," he comments, "we will see more opportunities for people to produce alpha. There will be more risks in the market, and therefore quality advice will come to the forefront again. Perhaps this era that we had for the last ten years has changed and maybe is over already, just at the point that passive investing was at its height."

"Accordingly," he extrapolates, "good advice will be more important going forward. For example, the potential impact could be quite significant on smaller and mid-sized companies that do not have the balance sheet strength that some of the major companies do. The private banks will both need to adapt to the competition out there from a variety of areas, as well as improve their advice and performance, as investors will have lost quite a lot of money in recent times. But the landscape could be considerably more conducive for them."

GRASPING THE OPPORTUNITY

His closing comment is to reiterate that out of this crisis, out of the rising number of challenges that had already materialised before the crisis, is, therefore, a real and immediate opportunity for the private banks and other incumbent wealth management firms to be proactive, to adapt, improve, survive and then prosper. "The new reality was already here, and even more so now this virus has hit the world," he says. "It is up to the players in the market to adapt and advance, to fight back and, hopefully for them, to win." ■