

# The Impact of Technology on the Re-Alignment of the Banking Landscape

*Damian Hitchen, the Singapore-based Asia CEO for Swissquote, presented a fascinating Workshop at the Independent Wealth Management Forum in Hong Kong to articulate how independent, external asset management firms and wealth management advisers can evolve to survive and thrive in the rapidly changing global financial landscape. Working with the Swissquote global trading and custody platform, many such independent firms can significantly enhance their capabilities and offer their clients literally a world of product and trading opportunities, all at a sensible entry and ongoing cost basis.*

**H**ITCHEN BEGAN BY EXPLAINING HOW SWISSQUOTE PARTNERS WITH LARGE AND SMALL FINANCIAL INSTITUTIONS, and wealth management firms, especially independent and external asset managers (IAMs and EAMs), to offer them B2B solutions that significantly upscale their capabilities, their client service and therefore their revenue streams.

He gave delegates some basic information about the Swissquote Group and its expansion in Asia. Swissquote offers its state-of-the-art global custody and trading platform with tools to allow firms to trade on behalf of their wealth management clients via direct market access of the Swissquote platforms.

## More than 20 years of expertise

Swissquote, he explained, has been honing its platform offering for more than two decades, and has put an enormous amount of work and investment into this. “We are a fully licensed and listed Swiss bank,” he notes, “but around half of our staff are tech people, and as such we are often referred to as a ‘FinTech bank’, offering a state-of-the-art, end-to-end architecture that is incredibly elegant and efficient.”



DAMIAN HITCHEN  
Swissquote

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“We are very different from your normal traditional Swiss bank or Swiss private bank,” Hitchen added. “We are a fully digital bank offering a global banking, trading and custody platform that is purely online.”

The firm’s clients in Swissquote’s rapidly growing B2B segment include full-service banks, private banks, independent/external asset managers, securities brokerages, insurance companies and family offices, all of which are looking to provide their clients with an enhanced digital experience to sit alongside their professional face-to-face advice.

### Partners in building for the future

“In short, we have a pure B2B focus from the new Singapore office” he explained, “meaning that we are selling global custody and global execution services to the B2B community, whether they be external asset managers, multi-family offices or family offices securities brokerages, or banks who manage financial assets for themselves or their clients. Our largest B2B partner globally is another Swiss bank. We can provide you with market leading global custody and multi-asset class trading capabilities.”

Safety and security are core to the Swissquote proposition. “As I have said, we are a custodian ourselves,” he reported, “and we also use a range of major global banks as sub-custodian counterparties,

so clients know the assets are held with a regulated listed Swiss bank, Swissquote, or with a respected global counterparty network.”

Hitchen also highlighted how Swissquote itself is both stable and well capitalised, having been listed in Switzerland on the SIX Swiss market since 2000. The bank has a core capital ratio of 22% as of mid-2019, a figure which is at the top end of the top banks in Europe. Swissquote had CHF30.5 billion (USD31 billion) in client assets at mid-2019 and achieved net new money of over CHF750 million (over USD759 million) in the first half of this year in the Asia-Pacific region out of total net new assets of some CHF3.41 billion globally into the Bank.

Swissquote’s new Singapore operation obtained its CMS licence from the Monetary Authority of Singapore at the end of July and is now able to provide custodial services and book assets in Singapore. “This means our Asian clients can now legally contract with us under Singaporean law and under the protection of the Monetary Authority of Singapore regulations,” Hitchen explained.

Offering full information, access, and functionality, Swissquote’s investment universe of global markets includes the ability for clients to gain access to stocks, ETFs, funds, fixed income, structured products, options, futures, indices, derivatives and FX, both physical and leveraged, and commodities.

As well as the 3 million products available via the platform, Swissquote also offers an OTC Trading desk for B2B partners.

### Open to the world

“We offer a completely open architecture platform” he added, “and we have no in-house product, and we offer no advice, so there are no conflicts of interest between ourselves and our B2B partners” he added.

“What Swissquote effectively is,” he commented, “and this is a useful analogy, is kind of an Amazon of wealth management, private banking, and investment-linked products, with everything available on our platform. We house it, we work with partners, they can access our platforms, they can trade and manage money on behalf of their clients. As you can see, we can deal in all types of securities and financial products for any clients wanting to access our 3 million-plus product, multi-asset class global trading platforms, which includes about 25,000 funds and about 100,000 ETFs, for example.”

Hitchen noted that the Swissquote platform offerings, from full model to partnership models, are remarkably user-friendly. “We have over 300,000 direct clients globally, we are web-based, HTML5 based, thus our systems are super easy to use for anyone, from a novice investor all the way through to a professional trader. All Swissquote customers around

the world can manage their accounts and global trading via a PC, a tablet, or a smartphone.”

Hitchen sees a world of opportunity in Asia as the wealth management industry continues to expand to meet the demands of rapid growth in private wealth, and as the industry strives to improve its offerings, a core part of which he believes will be enabled by firms entering technology and platform partnerships to develop their overall proposition.

### **Swissquote multi-faceted USP**

Hitchen also explained that globally, that the bank has booking centres in Geneva, Singapore, Luxembourg, Malta, and Dubai, where Hitchen spent the past five years building the Middle East business for Swissquote before moving to Singapore. “We have the full Singapore capital markets, or CMS license, that allows us to provide custody, act as a booking centre, deal in all types of securities, and provide product financing, which you may know as Lombard lending as well.”

Hitchen reported that perhaps the biggest USP for Swissquote is the direct market access and control it gives to independent wealth managers. He mined down into some key differences between Swissquote and the typical global custody banks with which the IAMS or EAMs might have been working. “I am very aware that the choice of custodian is sometimes driven by your client,” he remarked, “but I am here to explain why you should consider Swissquote.”

“Our mission,” he elucidated, “is to provide the EAMs and wealth manager community access to a global trading platform on which they can control their trading activity directly, rather than having

to use the traditional model of a relationship manager desk from the global custody banks for the execution of their clients’ trades.”

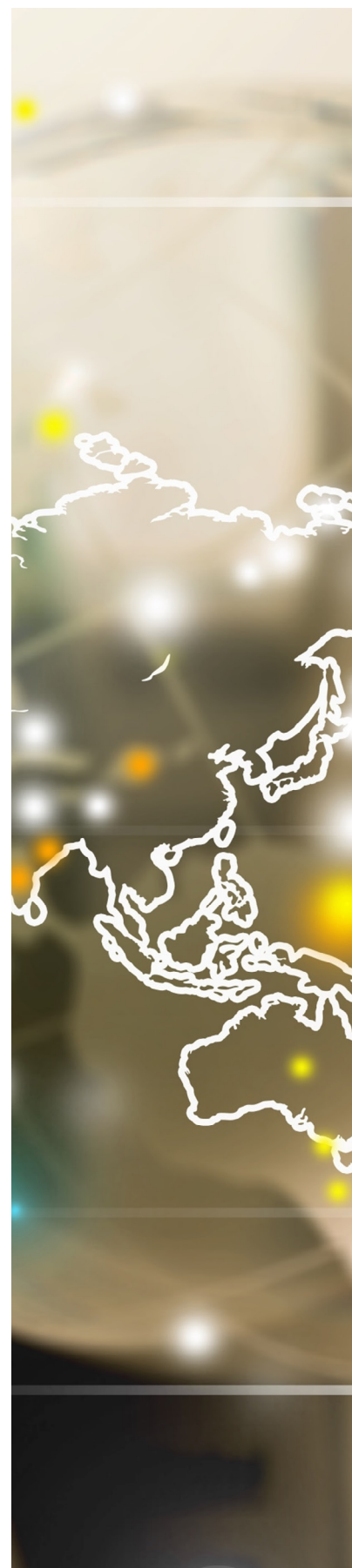
“Our platform,” he adds, “is theirs to work with their end clients, as they require and at their convenience - effectively removing the ‘middle layer’ of the EAM RM desk, speeding up transactions and reducing the amount of manual work for all parties. The majority of the global custody banks do not offer this direct access, clients must work through an RM desk or an EAM desk, for example. That can be cumbersome, so we offer speed, efficiency, transparency, a very wide investment universe, and of course, at a manageable and competitive cost.”

### **A first-class partnership**

Hitchen explained that the Swissquote platform, upon request, can be specifically tailored to the B2B partners’ needs and the universe of investments they want to be included. He showed delegates the platform the firm built for another Swiss bank, PostFinance, or the Swiss Post Office, which is also a bank.

“They have numerous branches across the length and breadth of Switzerland and people used to have savings with them in the old days, so they bank millions of customers,” he noted. “Swissquote and PostFinance several years ago entered a partnership to provide the wealth management platform for their customers, who have billions of assets and savings.”

“For PostFinance,” he elucidated, “we have made our platform modular, and we allowed them to build their own bespoke universe for their client. And we white labelled it under their brand, so clients of theirs can then log in to their online banking and



access their chosen investment universe and are then able to execute directly on the platform. Our platforms provide middle and back-office services, and with PostFinance we took it one step further and built the front-end for them, via both a branded web-based platform but also by building their smartphone app on both Apple & Android - so if required we can provide front-middle and back-office services.”

**Flexibility and modularity**

Hitchen explained that Swissquote also has an API team. “Accordingly,” he clarified, “if you have your own front-end and all you want to do is connect to us to do custody and execution and then basically push information back to your front-end, we can do that through APIs, we can do it through different feeds.”

He also explained how clients can set up segregated accounts for each of their end-users, and then allocate internal users against each of those accounts. “For example,” he elucidated, “if you are managing 100 clients, you will see your 100 clients at a dashboard level, and you allocate your internal user and pricing models against each client.”

**Pricing and transparency**

He then went into pricing. “We basically charge a platform fee which is the charge for using our technology and custody, and then an explicit brokerage dependent

on the asset-class and market of the chosen investment” And then he went into considerable detail on pricing models.

“We offer our partner firms a wide range of revenue-sharing options when using the platform,” he further clarified. “We have explicit fees for the use (lease) of our platform, custody and brokerage execution, and our partners are free to mark-up or add margin across the above revenue streams, physical foreign-exchange and even on collateralised lending (“product financing/Lombard lending).”

Adding more insight to that last comment, he said that if an end-customer had a portfolio of securities it would like to leverage for additional trading, the platform can offer this on a ‘real-time’ basis.

“We see ourselves as an enabler and partner for any licensed and regulated firm, even for a family office,” he reported. “We try to make it cost-efficient for all our partners, of whatever size, to start a relationship with us. And in terms of pricing, we are highly efficient and very transparent. We heard in a panel earlier about a global custody bank that charges zero fees but be assured they will get their fees in many other ways. But when we work with our partners, we give explicit fees in terms of charging for custody and access to our platforms if you are using that technology and we will give you some back-office support, and very efficient settlement and transaction processing.”

**Working alongside the clients**

In this way, Hitchen believes Swissquote is providing a wider range of revenue opportunities when compared to those available from the incumbent players. “We believe that for the independent wealth management operators,” he explained, “sensibly aligned partnerships and outsourcing are the optimal means to rapidly and efficiently help them to evolve their products and services, to bolster their revenues and to strengthen themselves against the inevitable wave of new competitors.

“To fast-track change,” he said on closing, “wealth management firms must identify the areas where they can and want to change and then either do it themselves, or, as is more advisable for most of all but the very biggest players, work with a partner who knows what they are doing, a specialist, and plug and play into that platform, that solution.”

Accordingly, his advice is clear - partnerships from both a purse and a business perspective are strongly preferred. And outsourcing is the next level of preferred option.

His final word was a call to action. “Change is happening in your industry,” he told the audience, “and we are here to significantly upscale your capabilities, in a seamless, professional and cost-effective offering.” ■

