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The what and how of differentiated WM 2.0

Numerous challenges face the wealth management industry in Asia. Regulatory tightening, competition from fintech companies, the growing threat from Big Tech, and the rise of family offices are a few such challenges. Hubbis assembled a panel of experts to consider these core issues.

These were the topics discussed:

- *Has anything really changed in this industry over the last ten years?*
- *Has the WM industry truly become client centric or are wealth managers still just sales focused?*
- *How have you changed your business model to be client centric? How has frontline comp changed to align to client interests?*
- *What tangible digital progress has been made and what's your client feedback?*
- *What is the biggest scope of disruption? Who will benefit most: big banks, FinTech's or BigTechs?*
- *What next: AI, big data and its impact?*
- *Impact of key business mega-trends of passive investments, fees, transparency, regulations; How are you adapting to grow?*
- *Opportunities of key market mega-trends of millennial, baby boomers, women empowerment, ESG, SRI. How are you capitalising on these?*

PANEL SPEAKERS

- **Malik Sarwar (chair)**, CEO, K2 Leaders
- **Kees Stoute,** Chief Executive Officer, North Asia, EFG Bank
- **Alan Luk**, Head of Private Banking & Trust Services, Hang Seng Bank
- **Vincent Chui,** Managing Director, Head of Asia Institutional Equity Distribution & Private Wealth Management, Morgan Stanley
- **Simon Lints**, Chief Executive Officer - Singapore, Schroders Wealth Management
- **Sung June Hwang**, Head of Products and Services, Credit Suisse Private Banking
- **Michael Benz**, Senior Advisor, Synpulse
- **Peter Stein**, Managing Director, Private Wealth Management Association

THE S&P INDEX WAS 670 ON MARCH 9, 2009. By February 26, a day before the Hubbis Asian Wealth Management Forum in Hong Kong, it was trading four times higher.

"2017 was a year that seemed too good to be true," said one expert on the Hubbis panel, and conjectured as to whether 2018 would be a repeat, or volatility would rise dramatically. "The truth is we do not know," he said, "on Wall Street, the adage still applies that nobody knows nothing."

Wealth sector lagging Asia's broad boom

But while market indices have surged since 2009,

MALIK SARWAR
K2 Leaders

the wealth industry in Asia has not enjoyed a concomitant boom. That is because it is facing enormous pressure from a wide variety of sources.

"The wealth advisory industry is moving towards niche players like ourselves," opined one expert. "We have a very clear value proposition, we are not trying to be all things to all men," he said of his own firm.

"I see the wealth market tipping more towards focused players with a very clear value proposition, a good name, and a good platform to leverage, and who are very 'hands-on' with their clients, very close to them," he added.

"Our RMs are more experienced, they have all done other things in their careers before joining us, and they are a lot more hands-on than is usual for the bigger banks," he stated.

Does that mean that maturity and age are prerequisites for a successful RM? The answer from the same expert was as follows: "There are two types of clients, the older, traditional ones who like an experienced RM with more grey hair and the younger, more entrepreneurial client who prefer a slightly younger RM, but still someone with experience."

"It is essential for both types of clients to have an RM who can go into a networking event or a client

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KEES STOUTE
EFG Bank

meeting and have something interesting to say, to refer to things they have done in their lives," he said.

More 'active' advisory activity

Another panellist gave his views on the developments in the wealth management industry in the past decade.

"There is far more administration required than ever before to handle any transaction as the new rules and regulations try to achieve a much more client-centric industry whereby we will see a steady growth of discretionary management, which makes much more sense in the sense of professionally managing assets," he said.

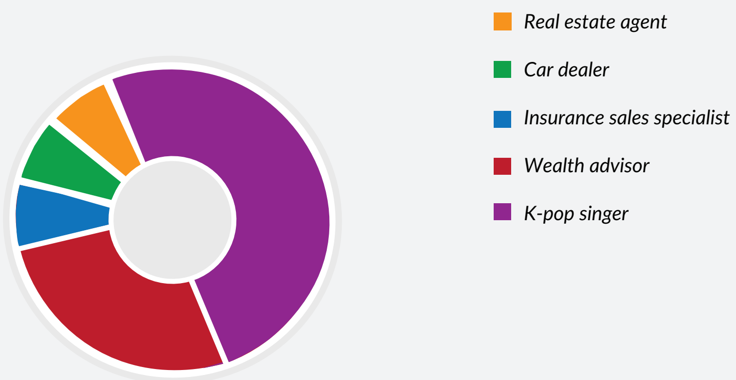
"Our particular firm is more entrepreneurial," he added. "We are appealing to staff who prefer a higher level of autonomy, and we treat our people basically like they are their own bosses."

"That is a slight exaggeration, but we always have an obvious link between revenues and remuneration," he said. "You build your own business and a certain percentage of your remuneration goes into paying off your revenues."

But his firm does not have targets, as they have been deemed unadvisable. "Because if an RM makes his target, then he often stops trying, because he knows he will not get an additional bonus and also knows if

ALAN LUK
Hang Seng Bank

WHO WOULD YOU RATHER HAVE DINNER WITH?



Source: Hubbis Asian Wealth Management Forum 2018

he produces more revenues, he will have a higher target next year," he explained. "This scenario is not good for consistency of service to the client."

Fintech adding competitive zest

One expert noted that clients increasingly prefer an individualised experience and that has helped create a far more competitive industry.

This is due to "local competition, the acceleration of external asset managers, but also Fintech which is leading to dislocation and disintermediation," he said. "We, for example, want to be an entrepreneur's bank because that is where the wealth is emanating from."

He added that his firm had doubled headcount significantly in the areas of the family office, and paid attention to areas such as philanthropy, charity, impact investing, etc.

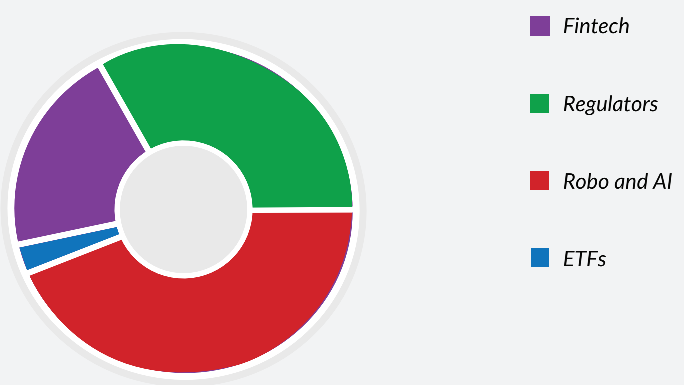
"This is for the next generation where people want to feel so good but also looking for a minimal economic return," he said. "In a collective sense, you are going beyond a pure transactional model into a pure relationship where you are going beyond the pure investments into the very core values of the family."

Consolidation will need to take place in the industry, according to one expert.

VINCENT CHUI
Morgan Stanley

"THIS IS FOR THE NEXT GENERATION WHERE PEOPLE WANT TO FEEL SO GOOD BUT ALSO LOOKING FOR A MINIMAL ECONOMIC RETURN."

WHO ARE THE BIGGEST DISRUPTERS?



Source: Hubbis Asian Wealth Management Forum 2018

"Fees and commissions are being compressed by transparency driven by the regulators, and also by the external competition such as from the Fintechs," he said.

"With the huge growth in wealth, the smaller, niche players can survive and do well, but everyone must find their expertise as there are enough clients for everybody."

Client lifecycle management

"We see a core area of focus on client lifecycle, from the onboarding of clients to the automation of KYC," said another panellist.

"Automation is also essential to remove simple manual tasks from people to free up those people and then working more efficiently with data to improve the flow of ideas to the clients."

One expert highlighted the changing competitive landscape, the rise of external asset managers and the family office.

"These competitors are either a challenge for your business because they are taking away some of the high margin advisory or discretionary portfolio management work that you are trying to win, or they are an opportunity if you can find the right way to work with them and provide the product for them."

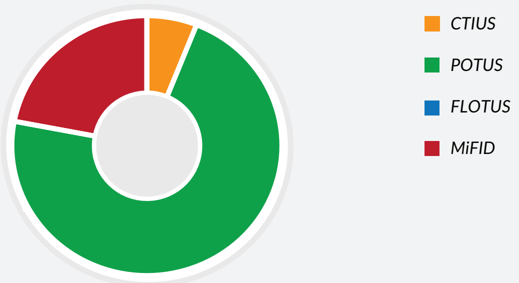
The regulatory landscape has also added a lot of additional costs, highlighted another panellist.

"How firms respond to this has changed the way

SIMON LINTS
Schroders Wealth Management

MICHAEL BENZ
Synpulse

WHICH HAS THE MOST IMPACT ON THE WORLD?



Source: Hubbis Asian Wealth Management Forum 2018

they operate," he said. "The irony is that the cost pressures are so high that you have a frontline under even more pressure to sell products and to increase their margins."

The competition will only get tougher

The competitive landscape is not going to get more comfortable, according to the panellists.

"There is a major likelihood for disruption in this industry," said one banker. "We see it in the fintech space, we see it in the Big Tech space, which is probably even more of a threat."

Part of the response to the threat from Fintech and Big Tech is the greater digital transformation of banking and wealth management, commented one expert.

"RMs should not fear AI and other technologies," he said. "The more advanced technology is, the more capable AI is regarding smart product selection and delivery, the more important it is that the humans involved in this business have to cater to the other elements which are relevant for the client." ■

SUNG JUNE HWANG
Credit Suisse Private Banking

PETER STEIN
Private Wealth Management Association

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HAS WEALTH MANAGEMENT CHANGED IN THE LAST 10 YEARS?

Source: Hubbis Asian Wealth Management Forum 2018