Link to Article on website
Link to Event Homepage
Link to Content Summary page
Link to Photos
Link to Video Highlights

What role will Hong Kong play in the future access to China's wealth?

China is fast becoming a key focus in the global wealth industry, with established institutions in Hong Kong competing with smaller, technology-driven competitors looking to tap into expanding opportunities. Chinese institutions are also thinking more globally, requiring innovation to secure business.

These were the topics discussed:

- *Is the outflow of capital from HNWI in China slowing down?*
- *What types of investment are Mainland HNWI interested in?*
- *Doesn't Stock Connect and the forthcoming ETF Connect mean less opportunity for advisers?*
- *What's the opportunity for Hong Kong-based banks to make the most of the growing Chinese wealth? onshore and offshore?*
- *Can Hong Kong banks compete with Chinese players? Do they need to?*
- *How are the different business models evolving in the onshore wealth management market?*
- *What are the services that a Chinese private bank offers? As client's demand diversification - How are they growing their platform in Hong Kong?*
- *What can the global banking industry learn from Chinese financial services digital innovation?*
- *What do clients want from their off-shore private banking partners? Can private banks and wealth managers successfully or compliantly deal with wealthy Chinese clients?*
- *Do Chinese clients have unique expectations around technology, products and service?*
- *Do Chinese clients really care more about services like family office set-up, insurance, citizenship and education? Are there any real family offices in China? What do they do? What are their needs?*

PANEL SPEAKERS

- **Malik Sarwar (chair)**, CEO, K2 Leaders
- **Jonathan Larsen,** Chief Innovation Officer, Ping An Group Chairman and CEO , Ping An Global Voyager Fund, Ping An Group
- **Kevin Huang**, Head of Global Private Banking, China Merchants Private Bank
- **Jennifer Zeng,** Partner, Head of Financial Service, Greater China, Bain & Company
- **Janet Li**, Wealth Business Leader, Asia, Mercer
- **Monica Lee**, Partner / President, Triumph Capital International
- **Stewart Aldcroft**, Chairman, Cititrust Limited Senior Advisor & Managing Director, Citi Markets & Securities Services, Citi Trust

A PANEL DISCUSSION WAS HELD AT THE Asian Wealth Management Forum on February 27 in Hong Kong to discuss these concerns.

The growing wealth in China, coupled with changes in regulations, has led to the banks of Hong Kong looking to China as an increasing source of revenue. "However," one panellist explained, "Chinese banks are arguing that

MALIK SARWAR
K2 Leaders

they have local branch networks in place and that Chinese money should not be going overseas."

Another panel member agreed that no matter how hard they try foreign banks will be at best marginal players in China.

A third expert clarified that the market in China has unique characteristics which make it difficult for global businesses to enter and compete effectively.

A panellist then pinpointed digital wealth management and technology advancement as the next waves of transformation in the China market.

The conversion from paying with cash to using e-wallets is on a staggering scale. "You really cannot pay with cash in China anymore," he explained, "which has changed attitudes towards technology."

The competition between wealth management sectors is fierce, observed another panellist.

"Traditional wealth management providers are on one side, and technology-driven solutions providers on the other," he said. Over time, that panellist elucidated, technology will transform finance, and will

"YOU REALLY CANNOT PAY WITH CASH IN CHINA ANYMORE... WHICH HAS CHANGED ATTITUDES TOWARDS TECHNOLOGY."

KEVIN HUANG
China Merchants Private Bank

be embedded within services delivered through digital ecosystems and platforms.

'Fast followers'

A panellist then argued that to achieve success, institutions should be what he termed 'fast followers'.

Spending on fintech has already reached $30 billion a year, and the pace of change is accelerating, he warned. Another panel member agreed with this viewpoint but clarified that in wealth management, the "human touch" remained a crucial factor.

With China producing one billionaire a week, cementing good relationships with customers is critical. Indeed, China is very new to the culture of wealth, due to its communist history.

"The Chinese are also much more family-business orientated compared to people in the West," one panellist remarked.

"We are at the beginning of transforming the wealth generated in those family businesses from first- to second-generation," he added. "Many offspring do not want to follow into the family businesses, and instead want to use the money to invest."

Global thoughts on global asset allocation

A panellist asked for opinions of Hong Kong's

JONATHAN LARSEN
Ping An Group

WHEN YOU THINK ABOUT INNOVATION AND TECHNOLOGY WEALTH MANAGEMENT, WICH IS BEST?

Source: Hubbis Asian Wealth Management Forum 2018

position in the Chinese economy, and another panel member elucidated that at the time of the handover, Hong Kong held 18%, and now holds less than 3%.

"It is a case," explained the panellist, "of Hong Kong growing, but China growing much faster."

However, Chinese HNW and ultra HNW clients are beginning to think about global asset allocation, becoming more willing to invest overseas.

A panellist clarified that 56% of high-net-worth individuals interviewed now have asset allocations of between 20% to 30% of their assets overseas, in Hong Kong, the US, Australia, Singapore and Canada.

And the trend is accelerating. Chinese customers are investing overseas, explained another panellist, are focussing upon education, diversification of risk, global investment opportunities, business expansion and immigration.

Pot of gold for the taking

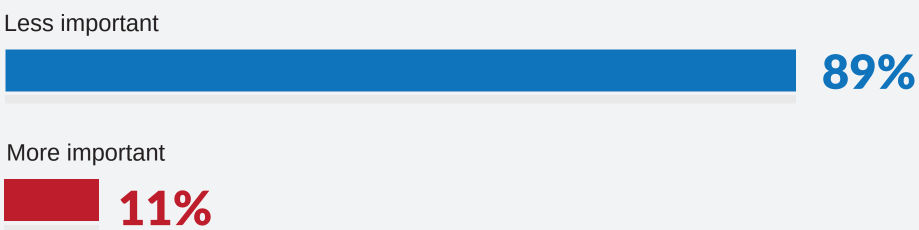
One expert commented that clients have been increasingly interested in collaboration and product design for HNW customers in China. "They see China as a pot of gold to tap into," he said.

Conversely, another panellist observed that Chinese wealth management institutions are actively seeking

JENNIFER ZENG
Bain & Company

"... CHINESE WEALTH MANAGEMENT INSTITUTIONS ARE ACTIVELY SEEKING TO EXPAND OUTSIDE CHINA, WITH HONG KONG OFFERING A 'FIRST STEP' DUE TO CONVENIENCE AND PROXIMITY."

AS A GATEWAY TO THE WEALTH IN CHINA, DO YOU THINK HONG KONG IS BECOMING MORE OR LESS IMPORTANT?



Source: Hubbis Asian Wealth Management Forum 2018

to expand outside China, with Hong Kong offering a 'first step' due to convenience and proximity.

"This can be analogous to a spring-board" he added, "with those same institutions swiftly moving to other global markets."

Predictions for the future

A panellist then asked the group how the flow of money from China to Hong Kong and overseas has been affected by Stock Connect and by Exchange Traded Funds (ETFs).

"That's all going to unwind over the next four or five years," explained one expert. "Because customers have traditionally been granted guarantees, no-one believes in high-risk."

Once that the government and municipals have spotted corporate bond market without any collapses, "then it's just easy money," he said.

The biggest single mistake being made by wealth management institutions trying to break into the market in China, warned one panel member, is to try to follow the same path as they pursue in the Western world.

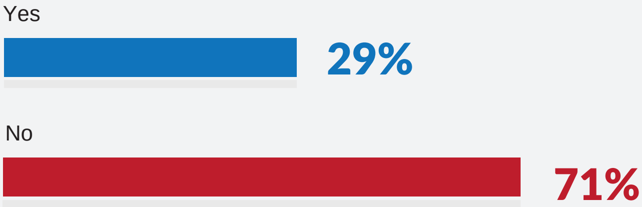
Instead, the panellist suggested advising customers to invest in China via Hong Kong.

Another panellist argued that China is trying to open more access points, "Stock Connect and Bond Connect are now running successfully, and ETF

JANET LI
Mercer

MONICA LEE
Triumph Capital International

AS AUM IN WEALTH MANAGEMENT IN HONG KONG GROWS - WILL MOST OF IT GO TO CHINESE BANKS?



Source: Hubbis Asian Wealth Management Forum 2018

Connect will be added later this year, which should open up many more opportunities for Hong Kong."

HK can survive… and thrive

Panellists were asked if Hong Kong will disappear as a financial centre, and one expert opined: "The one thing that Hong Kong does best survives."

Another panellist argued that the way to survive is to accept the prediction that China will be "the largest personal savings and wealth management centre on the planet, without question."

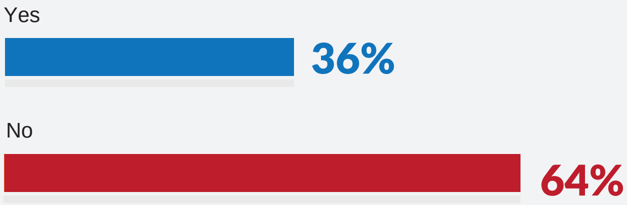
Accordingly, if Hong Kong and China can become "symbiotic," can diversify and embrace fintech. A panellist concluded by suggesting the targeting of opportunities as they arise.

"We should use our competitive edge before China completely opens up to the world market in 30 years or so," he said. "Coupled with incorporating innovation and targeting the HNW, Hong Kong should not only survive but also prosper." ■

STEWART ALDCROFT
Citi Trust

"COUPLED WITH INCORPORATING INNOVATION AND TARGETING THE HNW, HONG KONG SHOULD NOT ONLY SURVIVE BUT ALSO PROSPER."

DO YOU THINK INTERNATIONAL PRIVATE BANKS WILL EVER BE ABLE TO BUILD A SACCESSFUL AND PROFITABLE ONSHORE PLATFORM IN CHINA?



Source: Hubbis Asian Wealth Management Forum 2018