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CFA Institute and the Investment Management Industry Embracing AI and FinTech

Talk of digital solutions and revolutions has been all the rage as Covid-19 has totally transformed the way in which we conduct both our business and our lives. And in this transformation, the merits of embracing such technological solutions has not been lost on the financial services industry, as indicated by Nick Pollard, CFA Institute's Managing Director for Asia Pacific, leading to an increasing desire for deeper knowledge and understanding of digital considerations and solutions. However, whilst the benefits of such solutions are apparent, the adoption rate is not what one would first assume. Pollard thus delves into the benefits of taking the plunge, the way to make the most of digitalisation, and how technology, as well as other considerations, can ultimately help firms in improving companies' relationships with their customer base.

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NICK POLLARD
CFA Institute

"Now, if you think about that in an environment, that you and I know well, the private banking world, where the individual relationship has always been portrayed by the industry as being the most important aspect of a customer relationship, our survey is telling us that clients are now much more interested in the values that a brand stands for than the individual who represents that brand. And if there's a disconnect in any kind of way, then, such as the nature of the industry right now, that that's very obvious to customers."

Does AI and FinTech increasingly feature in your curriculum and research?

Yes, it does, Michael. It's a great question, but it's all pervasive I think, at the moment. I would say what research is telling us right now is that there's a huge amount of interest in it, but there's still a challenge for organisations and investment firms to reinvent themselves in the context of AI. What do I mean by that? Well, it's expensive. So whilst it's the cutting edge of our industry, and you'd expect there to be maybe smaller early adopters who are at the more entrepreneurial side of our industry, actually what we're seeing is it's a little bit the opposite where it's the larger investment firms who are using their Research and development (R&D) budgets to really try and find some competitive edge in the world of FinTech. And if you think of it just in terms of a practitioner, from a practitioner's perspective, the ability to process so much information and use that information to inform the decisions you make is a massive leap forward from an industry that began with practice analysts and calculators, and weeks and weeks of research to come up with conclusions. So I think the advantages are obvious, the advantages to the customer are obvious, but the cost of starting, the cost of developing in a FinTech world are still pretty high. And so we are still seeing, as I said, larger firms who are dominating development in that context.

What type of firms in APAC are adopting digital more enthusiastically?

Across APAC, the clear leaders from a market perspective are China, India, Singapore, and Hong Kong to some extent, in terms of the general markets, as investment firms are embracing the opportunities that AI, FinTech and big data are bringing. Clearly, one of the challenges is how do you use that information? What's the purpose? What's the reality of being able to process so much information in terms of your own decision-making and the performance of your underlying funds? And I think the public are a little bit mixed as to how they receive that. In many cases, those markets in particular embrace technical development, but at the same time, they still would rather get advice from a human being than they would from a robot. So we're seeing this kind of interesting period where people want you as an investment firm to be investing in technology, but they want to hear what that technology is telling you from a human being as opposed to from a robot.

Does an increasing acceptability of an investment in FinTech mean human advice is less popular?

Not at the moment, and not in any kind of generic way. Actually, what we find with wealth managers in particular is the more wealth that's being invested by a customer, the more likely it is they're going to need to have a human intervention in the way that advice is given. And we see that in APAC, but we see it around the world as well. So the entry levels to getting wealth advice have come down, because so much more of that advice is now available in a tech-enabled world. But if you're prepared to pay more for the advice, and if there are larger sums of wealth as the underlying question, then it's far more likely that you're going to need that interpreted by a human being who understands what's in the black box and can give you the rationale; so the decisions that they are achieving for you and your wealth from the use of that technology.

You completed your 'Earning Investors Trust' survey at the end of 2020. What are the highlights from an APAC context?

It's been interesting to me in my four and a bit years at CFA Institute how that dynamic has changed a little bit. So we still have a situation here in APAC where only 26% of investment clients think that their needs are put first. Now, that's kind of astonishing in an industry that's been pushing itself to be much more client-centric, to put investors first, to put the needs of the organisation behind the needs of individual clients, but it's still the response that we get from the marketplace. So 60% of responders to our latest trust survey said they would rather work with a brand that they can trust than with people they can count on. Now, if you think about that in an environment, that you and I know well, the private banking world, where the individual relationship has always been portrayed by the industry as being the most important aspect of a customer relationship, our survey is telling us that clients are now much more interested in the values that a brand stands for than the individual who represents that brand. And if there's a disconnect in any kind of way, then, such as the nature of the industry right now, that that's very obvious to customers. And from our perspective, if you're not living your values, if your brand doesn't stand for something, then you're going to find it much more difficult to compete as you move forward. ■