Exploring the impact of FinTech

Hong Kong’s private wealth management landscape

As the world’s fifth largest wealth management centre continues to grow, digitisation is becoming increasingly important.

With Asia becoming the primary engine of private wealth generation globally, Hong Kong has developed into one of the world’s pre-eminence wealth management centres. Apart from its resident billionaire population, it offers easy access to the broader China market.

In July 2016, PwC joined with the Private Wealth Management Association to survey 35 firms about the state of Hong Kong’s wealth management industry. How big is it? Is it growing? How important is digital technology? These were just some of the questions asked.

Below is a summary of the survey’s findings.

Market size and client base
Asia Pacific has been at the forefront of growth in the private wealth management market in recent years. Hong Kong’s population of high net worth individuals (HNWIs), with net worth between US$1 million and US$30 million, rose by 4.6% in 2014, followed by a further 3.3% increase in 2015. This trend is expected to continue until 2020.1

According to the Private Banker International Report in 2016, there were 200,000 HNWIs in Hong Kong, collectively holding around US$1.1 trillion in wealth. In their report, the HNWI population is expected to grow by 14.2% to reach 230,000, while total HNWI wealth is projected to grow by 23.5% to reach US$1.4 trillion.2

Focusing on China
The China market is growing in importance for the private wealth industry, due to the strong momentum of wealth creation. During 2015, China continued to close the gap with the United States in terms of both the number of billionaires and total wealth. During 2015, China registered an additional 70 billionaires – an increase of 37% year-on-year, while the total wealth of Chinese billionaires grew 53% to US$675 billion.

The increase in the number and the total wealth of billionaires in China also impacted the client base of private wealth managers (PWMs). Among the 35 PWMs surveyed, almost all have clients/beneficial owners who are domiciled in Greater China.

Shift in private banker attributes
Our survey respondents believe there will be a shift in the relative importance of private banker attributes over the next five years. Risk management and the ability to provide advice and planning as a distinct service will become more important than they are today. Seven attributes are of high importance today and will continue to be of high importance in the next five years. These are:

- Ability to assess client suitability and risk profile
- Communication skills
- Ability to provide advice on clients’ overall wealth goals
- Responsiveness to clients’ needs/requests
- Ability to retain existing clients
- Ability to gain new clients
- Ability to identify and respond to client needs

1 Private Banker International: Greater China Awards Luncheon 2016
2 Private Banker International: Greater China Awards Luncheon 2016
Focusing on operational efficiency

When it comes to operational efficiency, 79% of PWMs surveyed said that they have employed strategic or tactical approaches to improve operational efficiencies. 85% of PWMs indicate that the top strategic/tactical approach they use to increase value from operations is ‘centralisation of activities through shared internal services’. Some 42% outsource some activities. Operations and technology are the primary functions outsourced, followed by finance and HR. The top locations to which services are outsourced are Singapore and India.

Onboarding challenges and the road to digitisation

Some 65% of organisations consider ‘too many manual process steps’ to be a major issue within the client onboarding process. PWMs are taking on average 21-30 business days to onboard a client. Consequently, a quarter of them cite digitally-driven onboarding as the offering that would add the most value to the client experience. This is supported by the fact that manual processes and complexity and volume of forms were noted as top issues within the onboarding process.

Five Hong Kong firms have already digitised their onboarding process, highlighting an opportunity for other organisations to utilise FinTech to enhance the customer experience.

The need for digitally-driven onboarding is also apparent when examining the increasing budget that PWMs allocate to their anti-money laundering and risk processes. According to a report by Asian Private Banker, 62% of private banks in Asia commit 1-10% of their technology budget to AML and risk solutions. Half of the chief operations officers polled also expect their technology spend to increase by 11-30% within the next year.4

78% of PWMs either agree or strongly agree that the ability to provide new technology and digital capabilities to complement face-to-face relationships is important.

Non-financial related services

PWMs are expanding their service offerings. Some 35% of respondents are currently offering non-financial services such as art, real estate and luxury concierge services.

This article summarises a survey conducted in 2016 by the Private Wealth Management Association and PwC.
