

2021 Risk Radar: Asset Management Sector

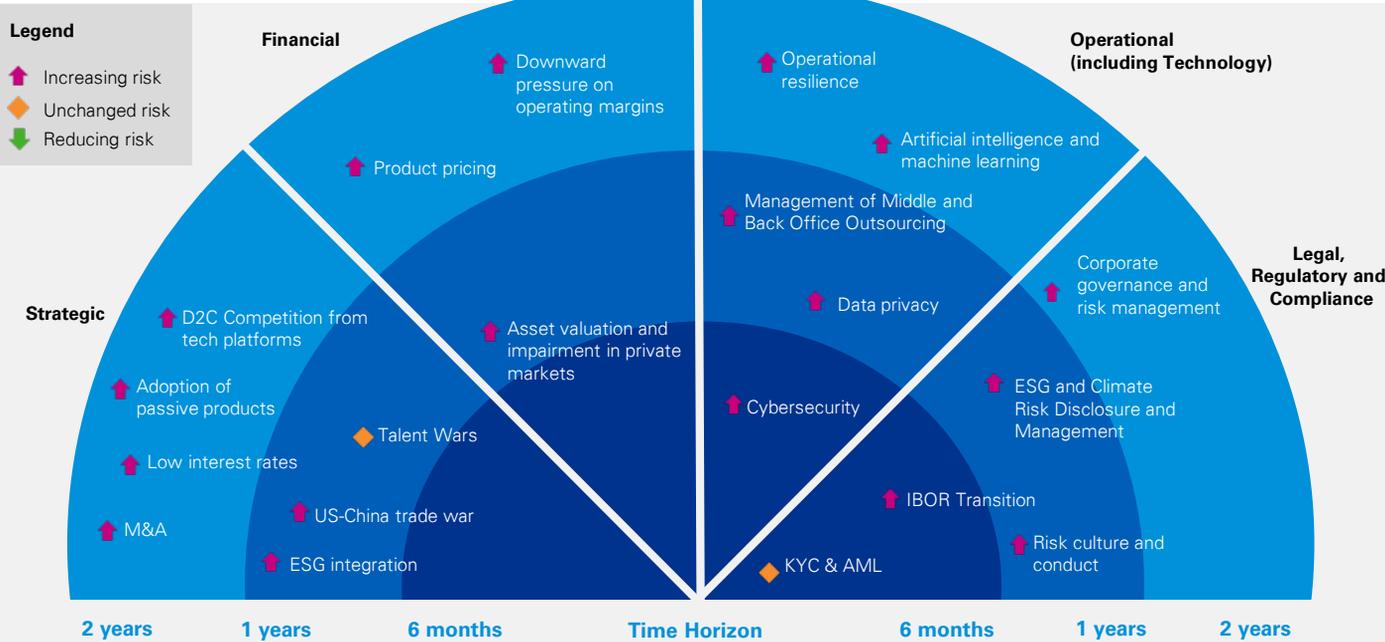
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In the past year amid the COVID-19 pandemic, the asset management industry has proved itself resilient. The initial sell-off in markets has been largely reversed, although with significant value transfers from traditional to digital players. Governments all over the world have used monetary and fiscal policy to steer their economies through to a post-COVID world. Mainland China’s rapid and robust recovery has meant that 2020 could, almost unbelievably, be the “best year ever” for the domestic asset management sector. Record numbers of mega-fund launches and the entry of the global elite into the retail funds market are only two signs of an industry that is set to grow strongly in 2021. The roll-back of bank-provided wealth management products, the growth of digital advisory services and mainland China’s drive towards carbon neutrality will all provide a further boost to the sector. 2021 will not, however, be without its challenges. The pandemic has altered the industry’s risk profile and leading firms will want to adapt their operating models to the ‘new normal’.



Key trends observed in the market impacting the industry in the Greater China region:

- The continued tightening of regulatory requirements in the area of investor protection, for example, sales suitability, pricing, and staff conduct.
- Near-zero interest rates posing a long-term challenge to the industry, as they incentivise clients to seek out potentially riskier investment strategies.
- Asset managers responding to asset owners’ – particularly foreign institutional investors – demands to incorporate ESG requirements into their investment and management strategies, including a significant uplift in the disclosure requirements related to ESG and climate change.
- Intensifying price competition in the industry after the lifting the foreign ownership restrictions.
- The IBOR transition timeline may be extended but prudent managers will want to be ready well ahead of the final deadline.



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