Asia Pacific has been witnessing strong economic prosperity as a result of its open business environment, relaxed regulatory landscape and a well-developed infrastructure. This has led to a rise in the population of High-Net-Worth Individuals (HNWIs), particularly the younger generation who demand technologically advanced and highly customised banking and wealth management solutions, designed specifically to cater to their growing investment needs.

The region is home to ~15 million HNWIs, the second-largest concentration in the world after North America, with an expected growth of 39 percent by 2024, the highest growth forecast globally. About half of these people are located in mainland China alone. They are looking for highly-personalised advisory solutions from technologically sound advisors to help plan their family wealth and succession. The number of affluent clients is also growing. They demand advanced platforms and features to effectively manage their wealth on their own. Moreover, as digitalisation has reduced client retention costs and improved access to their capital, clients with small investment capital, who have never been considered highly important by wealth managers, now collectively form a key potential market—particularly in mainland China where the middle-class population represents more than half of the market’s online wealth management clients.

As a result, a growing number of financial institutions have widened their target customer groups and increased focus on developing efficient digital capabilities to cater to mass markets. In relation to mobile access to financial services, the race is on to provide customers with the best “bank-in-a-pocket” service. This race has been joined not just by traditional and neobanks, but also by megatech and telecommunications companies with ambitions to widen their market presence throughout Asia Pacific.

This move toward digitalisation has further picked up pace post the COVID-19 pandemic. According to KPMG’s 2020 CEO Outlook Survey, 81 percent of CEOs in the Financial Services (FS) sector feel that COVID-19 has accelerated digitisation of operations and creation of next-generation operating models, while 76 percent feel that it has accelerated the creation of new digital business models.

This report aims to highlight all opportunities that Asia Pacific presents for the players operating in the wealth management sector, particularly with respect to their digital capabilities. For the leading global banks, it shows a wide range of prospects to further grow their wealth management services in this region, be it through strengthening their teams of advisors, developing sophisticated digital capabilities, or even partnering with local payments firms to reach the masses.
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Asia Pacific is emerging as the leading destination for wealth management and private banking globally, driven by the growing wealth in the region as well as the increasing HNWI population and its need for financial advice. The relaxed and pro-investment regulatory environments in markets such as Singapore and Hong Kong have been attracting a large amount of capital from around the world.

As a result, most of the top traditional foreign banks are expanding their presence in the region, while the traditional Asian banks are working on strengthening their wealth management businesses and hold in these markets. Interestingly, both groups are experiencing growing competition from two types of technologically advanced players. One is the emerging WealthTech firms that are developing advanced B2B and B2C digital solutions, while the other is the Challenger banks — virtual banks and payments firms (esp. arms of tech giants) — that have started acquiring FS licences to capitalise on their wide customer base.

Overall, there seems to be an underlying need for a bank that understands the nature of the financial advice required in the region; offers a combination of global products, expertise and market access; and develops and invests in the latest technological advancements and digital offerings.

Banks such as DBS, BoC, OCBC and UOB have used their large scale, existing client base and local presence to retain market share in wealth management and private banking, with a wide range of integrated FS offerings. However, with the growing threat from digital banks, these incumbents are trying to expand their digital offerings and channels, plugging in investments in emerging FinTechs as well as upgrading in-house capabilities at the same time.

Large banks, such HSBC, SCB, Citi, JP Morgan and UBS, have a strong presence in the region, and are attractive due to their global capabilities, and access to international markets and products. These banks have now increased their focus on wealth management and private banking in this region, drawing more resources to achieve scale, with most choosing Singapore or Hong Kong as the centre to expand to other Asian markets.

Unlike the traditional players, most FinTechs are focusing on developing specific, targeted offerings. With supportive governments, these players have been rapidly growing in number, particularly in the payments and WealthTech space. However, with a lot of their solutions being B2B, most of these firms are emerging as potential partners and tech solution providers to the incumbents, instead of pure competitors.

With Asian governments extending FS licences to non-FS players, local (Alibaba, Tencent) as well global tech giants (Google, Amazon) are also targeting the region’s FS sector, using payments as the gateway. Although these firms are yet to establish themselves in the wealth management and private banking space, their vast customer reach (from digital payments adoption) and the support from their investors puts them in a key competitive position in this space.

The study highlights that while Asian incumbents have strong existing market share, they are quite slow in the adoption of the latest digital advancements in wealth management and private banking. Whereas, the rapidly growing challenger banks still form a very small portion of the market, given their targeted developments and offerings. Foreign banks need to strengthen their local advisory teams that understand the market pulse and specific requirements of the large HNWI population.
Asian banks raise investments in digital technologies

Apart from DBS, most traditional Asian banks have been slow to embrace digital advancements in wealth management, although they are now increasing their investments in acquiring digital capabilities, virtual bank licences, and more FinTech partnerships.

### Key markets

| Note(s): | Includes Bank of China and Bank of China (Hong Kong) |

### Digital capabilities

<table>
<thead>
<tr>
<th>Digital capabilities</th>
<th>DBS</th>
<th>BoC</th>
<th>UOB</th>
<th>CMB</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overview</strong></td>
<td>Leader in Asia in digital wealth management (WM) and private banking (PB), widest range of services online; large tech. spend, aggressive innovation strategy</td>
<td>Entered WM in 2019; digital growth led by Hong Kong; has sped up roll out of digital services post COVID-19</td>
<td>One of the leading banks in Southeast Asia; strong focus on providing digital wealth services to HNWIs</td>
<td>One of the top banks in mainland China; formed a subsidiary — CMB Wealth Management in 2019; plans to build a 'Digital Bank' in future</td>
</tr>
<tr>
<td><strong>Digital account opening / onboarding</strong></td>
<td>Launched virtual WM account opening (Hong Kong) on iWealth app</td>
<td>Provides this option in its first virtual bank Livi (co-owned) in Hong Kong</td>
<td>Available in its digital bank TMRW launched in Indonesia</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Research and insights</strong></td>
<td>Its iWealth app provides users with research and insights, and price alerts relevant to one’s investment portfolio</td>
<td>Provides customised news alert and investment market commentary</td>
<td>Portfolio Insights tool provides users with risk-return analysis and scenario simulations by stress-testing portfolios</td>
<td>Its mobile app provides users with real-time market information and chart analysis for financial products</td>
</tr>
<tr>
<td><strong>Portfolio management and advisory</strong></td>
<td>Hybrid human-robo solution digiPortfolio, targeted to UHNWs, provides strategic financial insights</td>
<td>Portfolio advice as per client investment and risk profile with Aqumon; option to rebalance portfolio</td>
<td>Asset Management Invest app customises clients’ portfolio aligned to their investment objectives</td>
<td>Hybrid human-robo solution Machine Gene Investment Risk Tolerance Assessment system analyses risk appetite to recommend investment products</td>
</tr>
<tr>
<td><strong>Financial planning</strong></td>
<td>New digital NAV Planner uses Big Data to give tailored financial advice as per life stage and financial position</td>
<td>Nil</td>
<td>Portfolio Tracker tracks portfolio health</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Online trading</strong></td>
<td>Brokerage arm Vickers allows trading in a large number of exchanges across markets (incl. online onboarding)</td>
<td>Strong online trading (stock, funds, bonds, FX, eIPO); mobile app provides stock screener, price alerts</td>
<td>Online trading platform for stocks — UTRADE, with price alerts, trading insights, fundamental and technical analysis</td>
<td>Provides securities and FX trading option through online banking</td>
</tr>
<tr>
<td><strong>Tools for relationship managers (RMs)</strong></td>
<td>Rolled out Portfolio Advisory Enablement tool for RM providing intelligent insights about clients’ portfolio</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Key internal technologies being used</strong></td>
<td>Robo-advisory (with Hong Kong FinTech Quantified)</td>
<td>Robo-advisory (with Hong Kong partner Magnum)</td>
<td>Robo-advisory (with NZ FinTech FNZ Group)</td>
<td>Robo-advisory</td>
</tr>
<tr>
<td><strong>Other key offerings/ capabilities/ developments</strong></td>
<td>Launches first online treasury and cash management simulation tool Treasury Prism</td>
<td>Initiatives for stronger connect in the Greater Bay Area (GBA) — Cross-border wallet, Remittance Plus, GBA Service Connect</td>
<td>Launched MyPortfolio, a digital investment dashboard to provide integrated overview of portfolio to HNWIs</td>
<td>Provides surplus fund investment service, via its e-banking platform</td>
</tr>
<tr>
<td><strong>Key markets</strong></td>
<td>Leads in Singapore (HQ), strong in Hong Kong, growing in rest of Asia</td>
<td>Hong Kong and mainland China - Focus on the GBA</td>
<td>Singapore (HQ), growing in Southeast Asia, esp. Indonesia</td>
<td>Mainland China and Hong Kong - Focus on the GBA</td>
</tr>
</tbody>
</table>
Foreign banks bring global expertise and build scale

Leading traditional foreign banks are looking to grow their client-facing teams and build scale in the region, using Singapore and Hong Kong as their wealth hub and bringing their sophisticated wealth management products and expert advice.

<table>
<thead>
<tr>
<th>Digital capabilities</th>
<th>HSBC</th>
<th>Citi</th>
<th>SCB</th>
<th>UBS</th>
</tr>
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<tbody>
<tr>
<td>Overview</td>
<td>• Largest foreign bank in Asia, but lags in wealth management (WM) and private banking (PB); accelerating digital upgrades</td>
<td>• Focus on digital banking clients in Asia; expects 10% growth in wealth business, led by digital acceleration post COVID-19</td>
<td>• Top European bank in Asia; strong focus on PB and WM; digital strategy accelerated via Singapore, Hong Kong</td>
<td>• Largest private bank in Asia; early adopter of digital banking; now focus on tech solutions for affluent market</td>
</tr>
<tr>
<td>Digital account opening / onboarding</td>
<td>• Rolled out digital investment account opening in Hong Kong in October 2020</td>
<td>• Provides online account opening option for all affluent clients (Priority, Gold and Private)</td>
<td>• Provides this option in its first virtual bank Mox launched in Hong Kong; plans to launch next in Singapore</td>
<td>• Applied for digital banking and WM in mainland China (GBA); aiming for low-cost growth</td>
</tr>
<tr>
<td>Research and insights</td>
<td>• Wealth Insights Hub for real-time analysis and insights; Wealth Dashboard for multiple views to analyse portfolio</td>
<td>• Wealth Insights for market research reports and in-depth articles</td>
<td>• Embedded features to access research tools, track portfolio performance, analyse market movements</td>
<td>• Updates on investment opportunities; research and market insights that impact portfolio (CIO House View)</td>
</tr>
<tr>
<td>Portfolio management and advisory</td>
<td>• Wealth Portfolio Plus helps track progress, uses risk and scenario analysis, and analytics for informed decisions</td>
<td>• Total Wealth Advisor to set goals, manage assets and track performance; Portfolio 360° provides multiple scenario analysis</td>
<td>• DigiAdvisor, MyRM – new tools for virtual interaction with RMs; for market updates with tailored advice</td>
<td>• UBS Manage, portfolio managed by experts; UBS Advice combines analytics, expert advice to optimise portfolio</td>
</tr>
<tr>
<td>Financial planning</td>
<td>• Wealth Planner maps wealth goals and financial health online</td>
<td>• Financial planning tool Portfolio analyser, which integrates and diversifies risk with portfolio stress tests</td>
<td>• Nil</td>
<td>• Long-term strategy advice based on risk tolerance from expert CIO advisors</td>
</tr>
<tr>
<td>Online trading</td>
<td>• Wide-ranged online trading (stock, bonds, funds, trusts, FX); new low-cost FlexInvest launched in Hong Kong</td>
<td>• eBrokerage to invest in securities, monitor price, track trading movement</td>
<td>• Online trading across many exchanges and markets; dedicated FX tool for latest price alerts, FX updates</td>
<td>• Online trading in equities, bonds and funds in global markets incl. Hong Kong, SG, US and UK</td>
</tr>
<tr>
<td>Tools for relationship managers (RMs)</td>
<td>• Blackrock’s Aladdin Wealth platform with enhanced portfolio analysis, construction capabilities for RMs</td>
<td>• Live Chat, Hello, Virtual Remote Engagement tools – live chat, audio and video banking for affluent Asian clients</td>
<td>• MyRM uses Big Data to help RMs advise premier clients; incl. chatting, calling, file and screen sharing</td>
<td>• Direct connect with advisors using Skype, WeChat, WhatsApp</td>
</tr>
<tr>
<td>Key internal technologies being used</td>
<td>• AI, Big Data to assess stocks with long-term returns to build wealth</td>
<td>• Robo-advisory</td>
<td>• Has partnered with FinTechs for AI, robo-advisory</td>
<td>• Data analytics</td>
</tr>
<tr>
<td>Other key offerings/ capabilities/ developments</td>
<td>• PayMe from HSBC C – mobile payment service currently available for Hong Kong</td>
<td>• To open largest wealth advisory centre, Citi Wealth Hub in Singapore</td>
<td>• Launched global flagship wealth centre in Singapore</td>
<td>• New Innovation hub Evolve in Singapore (first in Asia) to create next generation of digital competencies</td>
</tr>
<tr>
<td>Key markets</td>
<td>• Hong Kong (largest market), Singapore and mainland China</td>
<td>• Strong in Hong Kong, Singapore; wealth focus increased in mainland China and India</td>
<td>• Largest market Hong Kong, followed by Singapore, mainland China</td>
<td>• Singapore and Hong Kong</td>
</tr>
</tbody>
</table>
## WealthTechs develop advanced solutions at low costs

Rapidly growing WealthTech players are either developing advanced wealth management platforms and intuitive advisory solutions for their partnerships with big banks or using their low-cost structure to directly tap the middle-class population.

<table>
<thead>
<tr>
<th>Digital capabilities</th>
<th>WelInvest</th>
<th>Lufax</th>
<th>Kristal.AI</th>
<th>AutoWealth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overview</strong></td>
<td>Founded in 2015, offers end-to-end digital wealth services; focus on personal-financial advice for affluent investors</td>
<td>One of mainland China’s top online wealth management (WM) platforms, backed by Ping An, wide range of products across markets; focus on upper middle-class</td>
<td>Rapidly growing B2C WealthTech; offers portfolio management and trading; focus on mass affluent and emerging HNWIs</td>
<td>One of the leading WM robo-advisors in Singapore; focus on long-term wealth, uses passive investing (mainly in ETFs)</td>
</tr>
<tr>
<td><strong>Research and insights</strong></td>
<td>StratWealth offers access to 10+ strategies from global and regional providers</td>
<td>Customised content based on client’s investment habits, risk preferences and browsing history</td>
<td>Nil</td>
<td>Provides historical performance of its investment portfolios</td>
</tr>
<tr>
<td><strong>Portfolio management and advisory</strong></td>
<td>GrowWealth offers customisable solution for goal and risk-based investments; aggregates and tracks finances with TrackWealth</td>
<td>Analyses investors’ profiles, risk appetites (with questionnaires); uses Big Data analysis for fund suggestions</td>
<td>Hybrid robo-advisory model; uses advanced algorithms and strategic advice from in-house experts</td>
<td>Hybrid robo-advisory assigning each user a personal advisor; offers four portfolio types with pre-set asset ratios</td>
</tr>
<tr>
<td><strong>Key internal technologies being used</strong></td>
<td>Robo-advisory; Data analytics to optimise client portfolios</td>
<td>Strong data analytics and machine learning</td>
<td>AI-powered digital private wealth platform</td>
<td>AI-based automated investment platform</td>
</tr>
<tr>
<td><strong>Other key offerings/capabilities/developments</strong></td>
<td>AdviseWealth for real-time analysis to RMs; Pre-approved automatic portfolio rebalancing; Partnered with many leading banks in Asia</td>
<td>Deploys algorithmic sensors at key stages of investment; Partnered with many top global wealth managers such as HSBC and Saxo Bank</td>
<td>Portfolio rebalancing suggested on change; Wide variety of WM products (ETFs, IPO, private equity, mutual funds)</td>
<td>Automated portfolio rebalancing</td>
</tr>
<tr>
<td><strong>Key markets</strong></td>
<td>Singapore (HQ), with a growing presence in Malaysia, Indonesia, Hong Kong, India and mainland China</td>
<td>Mainland China (HQ), expanded to Singapore (2018) and Hong Kong (2020)</td>
<td>Singapore (HQ), Hong Kong, growing in India; plans to expand in Asia Pacific</td>
<td>Singapore (HQ); plans to expand to Malaysia, and then Indonesia</td>
</tr>
</tbody>
</table>
Challenger banks look to alter the Asian wealth management landscape

Although currently at a nascent stage within wealth management, payments firms have strong plans to grow in Asia, using their e-wallets to help the region’s vast middle-class population in channelising its savings into wealth management investments.

<table>
<thead>
<tr>
<th>Digital capabilities</th>
<th>Ant Group* (Mǎyǐ jítuán)</th>
<th>WeChat Pay (Weixin)</th>
<th>Grab</th>
<th>Gojek</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key investors</td>
<td>• Alibaba</td>
<td>• Tencent</td>
<td>• Softbank</td>
<td>• Google, Temasek</td>
</tr>
</tbody>
</table>

**Overview**
- World’s highest-valued FinTech offering services beyond e-wallet (owns Alipay), including online lending platform and investment fund
- Mainland China’s leading digital wallet, actively diversifying into the FS sector, particularly WM
- One of Singapore’s top digital payments provider, with strong presence in Southeast Asia
- One of the leading on-demand multi-service platform and digital payments provider in Indonesia

**Major developments in wealth management (WM) and private banking (PB)**
- Launched its WM platform in 2015 — Ant Fortune, offering tailor-made WM services to investors
- Launched its money market fund in 2013 — YuE Bao, allowing customers to invest cash in their Alipay accounts into liquid assets
- In 2019, became one of the largest money market funds globally
- In 2018, introduced world’s first blockchain-based cross-border remittance network
- Launched virtual bank Ant Bank in Hong Kong; co-owns MYbank, one of mainland China’s first digital bank
- Introduced online WM platform in 2014 — LiCaiTong, offering a wide range of WM products to investors
- Launched money market fund LingQianTong in 2018, allowing users to earn interest from their WeChat Pay balance
- Launched cross-border mobile payment service, allowing WeChat Pay Hong Kong users to conduct a RMB denominated transaction in mainland China using HK$.
- Launched mainland China’s first online-only bank WeBank; it partnered with Nanyang Technological University Singapore to set up research centre to develop digital WM solutions
- Acquired Singapore-based robo-advisory app Bento to sell retail WM and Financial Planning products
- To rename it as GrabInvest
- Launched Golinvestasi, online investing tool, built inside the GoPay wallet section
- Allows customers to buy and sell gold, as well as keep track of their investment returns

**Future growth strategy and focus areas**
- Transformed into largest online WM platform in mainland China, offering access to third party WM
- Focus on vast middle-class segment in mainland China and Asia (600M+ users since launch)
- With digital bank licence, now aims to provide integrated banking services to its users
- Focus on expanding WM platform into mass market (100M users in 2018, doubled in 2019)
- Aims to provide inclusive finance through its digital banks
- Plans to tie up with BlackRock to make its tools for investment portfolios available to the mainland Chinese market
- Aims to bring WM products to large middle-class market in Southeast Asia
- Cash management and portfolio-based financial solutions are expected
- Focus on making it accessible by adopting a low-cost model, with full fee disclosure
- Aims to diversify into the FS sector in International markets, starting with Singapore and Thailand
- Plans to spin out its financial services arm, GoFinance, into an independent entity
- Digital Katalis to lay foundation for its digital banking goals

**Key markets**
- Mainland China and Hong Kong, now Singapore (looking for virtual bank licence)
- Mainland China and Hong Kong (to launch blockchain-based digital bank Fusion bank), expanding to Singapore
- Start with Singapore, focus on rolling out to Southeast Asia
- Start with Indonesia, focus on expanding into other Southeast Asian markets

Note(s): *Formerly known as Ant Financial and Alipay
There is a clear gap in Asia for a powerful, compelling, sophisticated yet easy-to-use digital wealth management offering aimed at the region’s emerging and growing wealthy. In individual domestic markets, some local banks put in a good showing, as to a handful of WealthTechs. In the region as a whole, only a couple of universal banks appear to have the product shelf and economic clout to truly dominate.

— Larry Campbell, Partner, Head of Financial Services Strategy, KPMG Asia Pacific
Singapore, Hong Kong most well-developed for wealth management

Singapore and Hong Kong are the most supportive and developed markets for wealth management in Asia, however, there are significant growth opportunities in the rapidly growing affluent and middle-class populations of mainland China and India.

Comparing digital wealth management (WM) and private banking (PB) in the eight Asian markets

**Singapore**
- Strong growth in relatively small UHNWI population; and in trusts, family offices
- Rising wave of tech-savvy consumers embracing digital banking solutions
- Top WM and PB hub in Asia and best location for offshore WM; threat to mainland China, Hong Kong; witnessing a shift towards onshore WM
- Government support – one of the strongest in the region
- Most top banks actively collaborating with FinTechs
- Highest range of digital PB and WM services; also, with the most advanced features

**Hong Kong (SAR) China**
- Top-class IT infrastructure, but small HNWI market and low mobile banking adoption
- Rapid WealthTech growth; high offshore WM demand
- Good government support (virtual banking, cross-border collaborations, new payment mechanisms)
- Strong presence of foreign banks, esp. in WM and PB

**Mainland China**
- Largest market with highest mobile banking adoption (78%) and growing upper middle-class
- Growth in WM platforms and rapid tech adoption by traditional players; high demand for robo-advisory
- Moderate government support, with initiatives such as WealthConnect and online-only banks
- Domestic banks dominate, but economy opening up

**India**
- Second-largest market with big mass affluent segment, but slow internet penetration
- Rapid growth in UHNWIs, though limited tech adoption and favour advisory WM style
- Govt. promoting digital financial services, but limited support in WM
- Traditional banks lead WM and PB segment, though FinTechs booming
- Demand mainly for cost efficient WM products and advisory services

**Australia**
- Large millionaire population, but slow adoption of digital banking and WM services
- Untapped, less-satisfied HNWI market; potential for digital WM advice to grow
- Rising demand for efficient robo-advisory WM services
- New rules make big 4 banks divest WM and bolster PB

**Malaysia**
- Small but rapidly growing HNWIs; low demand for financial advice due to conservative investors
- Strong internet penetration; leader in e-wallet use in Southeast Asia; strong Islamic finance segment
- Rising technology spend; focus on strengthening cross-border capabilities
- Rising preference for digital banking
- Government stimulating digitisation in banking and capital markets; although strict requirements a hindrance

**Indonesia**
- Growing UHNWIs, but prefer liquid assets
- Attractive destination for onshore wealth businesses
- Large unbanked population but growing digital wallet adoption
- Growing preference for Shariah Financial Services among mass affluent segment
- Government promoting FinTechs, with strong focus on governance and consumer protection
- Foreign players much ahead of local banks in terms of digital wealth capabilities

**Vietnam**
- Rapid growth in mobile payments; one of the fastest rise in UHNWIs in Asia, however, preference for basic investment products
- Banks focus more on retail banking, with WM and PB in nascent stage, although slowly gaining momentum with some tech collaborations
- Government promoting FinTechs and non-cash payments, but lags behind in stimulating capital markets activity

Note(s): The eight markets have been ranked on how evolved the wealth management and private banking space is in each market. These rankings are only indicative and have been based on several factors including digital advancements, regulatory environment, macro-economic view and key consumer trends. Further explanation of these rankings is provided on page 140
Recommendations for banks to gain competitive edge in the market

Banks must offer more digital, personalised products

To tackle the intense competition in the Asian wealth management market, banks must increase their online offerings, partner with more FinTechs for advanced solutions, strengthen the digital capabilities of their advisors and probably form their own virtual banks.

**Key insights and recommendations**

- Develop a smoother and **quicker digital onboarding** mechanism for wealth management and private banking clients; use AI (e.g., Lufax) to enable quicker account opening.
- Offer a combined view and **more seamless integrated access** to banking, trading and wealth portfolio (e.g., DBS), with all these available together on the different digital channels of the bank (apps, websites).
- Consider setting up **own virtual banks**, (e.g., SCB, BoCHK), to compete with other upcoming virtual banks on lower fees and interest rates.
- In light of COVID-19, facilitate **enhanced virtual interactions** of relationship managers (RM}s) with clients:
  - Leveraging live video calling, screen sharing, document sharing, & trainings for RMs to conduct one-on-one sessions and group-wide webinars.
- Make latest **market insights & advisory tools** available to RMs to help deliver more impactful advice to clients, like data visualisation tools, intuitive dashboards, live data processing, voice-to-text technologies & storytelling tools.
- **Develop or onboard new digital products** that align with the demands of current and future clients, taking into consideration their changing investment strategies and risk appetites.
- More **partnerships with and investments in** upcoming FinTechs and WealthTechs in the region to leverage their advanced solutions for internal operations as well as client offerings.
- Enhance existing **range and quality of alerts** being shared with clients, from basic price and stock alerts to more detailed insights and recommendations on a regular basis.
- Augment **current level of access offered in trading** — to include securities in different currencies **across more exchanges** in a higher number of markets.
- **Customise propositions and digital channels** to cater to the needs and expectations of the younger client generations, who are more tech-savvy and prefer self-service investment platforms.
A need to grow advisory teams and develop low-cost solutions

Banks should strengthen their advisory teams and use their presence in Hong Kong to tap the growing HNWIs in the rest of the GBA, as well as develop low-cost and efficient solutions for the growing middle-class in mainland China and India.

Opportunities and recommendations for digital wealth management (WM) and private banking (PB) players in these markets

Singapore

- Hire private bankers, bolster teams focusing on trusts and family office clients
- Partner with top B2B digital WM providers for efficient, low-cost automated processes
- Strengthen digital trading and portfolio recommendations
- Invest more in Big Data for tailored, predictive solutions

Hong Kong (SAR) China

- Use WealthConnect to grow market-share in the GBA
- Invest more in AI and Big Data analytics to develop tailored forecasting, risk and investment models
- Expand trading to other international stock markets
- Leverage robo-advisory solutions to offer personalised financial advice
- Customise digital channels to cater to the needs of the younger generation of clients

Mainland China

- Focus on efficient WM products for rising upper middle-class market
- Use AI and data-driven technologies internally at large scale for efficiencies
- Offer wider range of WM and PB services online with accelerated digital adoption post COVID-19
- Collaborate with emerging FinTechs in the wealth space

India

- Grow presence in digital WM; focus on developing robo-advisory and efficient solutions for mass affluent clients
- Strengthen WM advisory team to offer high quality customised advice to UHNWIs
- Develop and launch their own dedicated WM platforms
- Increase investment in AI and Big Data analytics to develop efficient solutions

Australia

- Major opportunity to capture market share as Big4 banks withdraw from WM businesses
- Grow robo-advisory offerings to meet rising demand
- Partner with FinTech firms to develop new solutions or launch own digital products and services targeting HNW clients
- Focus on bolstering technical capabilities to support wealth managers

Malaysia

- Partner with e-wallets and FinTechs to enhance cross-border remittance capabilities and user experience
- Educate HNWIs about the benefits of investment in different WM products
- Combine digital and human capabilities to offer personalised solutions
- Invest in strengthening digital wealth capabilities using data-driven technologies

Indonesia

- Focus on educating investors on long-term WM
- Build hybrid robo-advisory service to offer personalised financial advice to UHNWIs
- Invest in advanced data-driven technologies to enhance client experience
- Collaborate with digital wallets for wider reach
- Strengthen digital trading and expand across international stock markets

Vietnam

- Educate HNWIs about varied WM products
- Offer more personalised advice and new digital products to enjoy early mover advantage
- Launch digital platforms that allow users to invest and park their excess money kept in digital wallets into liquid assets
- Promote brand image and well-secured banking environment to win customer confidence

Note(s): The eight markets have been ranked on how evolved wealth management and private banking space is in each market. These rankings are only indicative and have been based on several factors including digital advancements, regulatory environment, macro-economic view and key consumer trends. Further explanation of these rankings is provided in page 140.
Key trends in the region that influence the wealth management and private banking landscape

Focus on technologies offering efficient solutions to mass affluent clients

Technologies that offer cost-effective solutions are becoming increasingly popular among the mass affluent section of Asian markets, as shown by the growth in robo-advisors which are cheaper, accessible round-the-clock, and offer more efficient advice than a traditional financial advisor.

- This has led to many affluent investors, particularly those with medium-sized portfolios, taking advantage of this new operating model.

Banks should focus on strengthening such offerings, particularly in markets such as mainland China and India, that have a rapidly growing upper-middle class population.

Key markets

Mainland China

India

Growing demand for succession planning in Asian HNWI families

As HNW business families in Asia are quite young (led by first/second generation), succession planning will become increasingly important as these families grow.

Although its existing demand is low (a 2019 survey reported only 40 percent of Asian HNWIs were planning for succession), relationship managers have reported an all-time high for succession planning requests. Moreover, COVID-19 has served as a key trigger event for Asian families to act on their wealth transfer plans.

Banks should try to augment their succession planning services to these HNWIs by:

- Offering personalised advice (e.g., experienced advisors building trust with older family members as well as grooming their younger generation)
- Bolstering online offerings (e.g., Kotak’s Smart Will tool helps clients prepare a will for seamless wealth transfer to their heirs)

Key markets

Mainland China

India

Singapore

Hong Kong (SAR), China
Accelerated digital adoption post COVID-19

COVID-19 has pushed many wealth management clients to online channels for remote interaction, particularly in the mass affluent segment (younger tech savvy clients), several banks in Asia have started providing their complete range of services remotely. Other banks should also try to increase the range of their online banking and wealth management services. They should look to evolve from basic offerings, such as portfolio management and statement viewing, to more advanced features, such as portfolio recommendation, trading, robo-advisory and virtual interactions.

Banks should also train their client-facing advisors on virtual advisory skills, both one-on-one sessions with clients as well as broad-based webinars.

Key markets

Mainland China

Singapore

Benefit from growth in family offices

Banks should try to strengthen their position in sophisticated markets such as Singapore and Hong Kong, to benefit from the growth in the wealth of family offices in these regions.

One way would be to look for more partnerships and acquisitions in WealthTech firms and use their advanced solutions to attract more private family investments.

• E.g., Credit Suisse acquired a 10% stake in WealthTech firm Canopy and integrated its automated solution for family offices, providing a consolidated view of assets, onto its digital private banking platform in Singapore and Hong Kong.6

Another would be to bolster the teams focusing on family office clients and hire more client-facing private bankers.

Key markets

Singapore

Hong Kong (SAR), China

Universal banks need the vision and will to invest in AI and Big Data, step up the pace of digital transformation, and be open to strategic partnerships. Those that are prepared to also pay top dollar for empathetic, informed and broad-minded relationship managers whose connectivity with customer needs and challenges can be bolstered by technology can provide clients with a wealth management experience that truly delights.

— Larry Campbell, Partner, Head of Financial Services Strategy, KPMG Asia Pacific
## Comparison of digital capabilities of leading wealth management and private banking players

**Scale:** Comparative view of digital capabilities across eight markets

<table>
<thead>
<tr>
<th>Category</th>
<th>Digital capabilities / offerings</th>
<th>Singapore</th>
<th>Hong Kong (SAR), China</th>
<th>Mainland China</th>
<th>India</th>
<th>Australia</th>
<th>Malaysia</th>
<th>Indonesia</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer features</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Portfolio statements view</td>
<td>100%</td>
<td>100%</td>
<td>73%</td>
<td>100%</td>
<td>90%</td>
<td>86%</td>
<td>86%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>Access to investment research and insights</td>
<td>82%</td>
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<td>64%</td>
<td>80%</td>
<td>70%</td>
<td>80%</td>
<td>43%</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td>Portfolio management</td>
<td>100%</td>
<td>90%</td>
<td>55%</td>
<td>70%</td>
<td>90%</td>
<td>71%</td>
<td>71%</td>
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<tr>
<td></td>
<td>Portfolio recommendation based on risk appetite</td>
<td>55%</td>
<td>60%</td>
<td>55%</td>
<td>50%</td>
<td>40%</td>
<td>14%</td>
<td>43%</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td>Digital account opening</td>
<td>91%</td>
<td>100%</td>
<td>55%</td>
<td>70%</td>
<td>90%</td>
<td>86%</td>
<td>86%</td>
<td>50%</td>
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<tr>
<td></td>
<td>Financial planning, analysis, goal and investment tracking</td>
<td>91%</td>
<td>20%</td>
<td>55%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Digital execution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FX trading</td>
<td>64%</td>
<td>60%</td>
<td>55%</td>
<td>30%</td>
<td>56%</td>
<td>50%</td>
<td>43%</td>
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<td>Equity trading</td>
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<td>27%</td>
<td>100%</td>
<td>70%</td>
<td>80%</td>
<td>80%</td>
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</tr>
<tr>
<td></td>
<td>Fixed Income trading</td>
<td>36%</td>
<td>30%</td>
<td>27%</td>
<td>70%</td>
<td>20%</td>
<td>14%</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td>Structured Products booking</td>
<td>18%</td>
<td>20%</td>
<td>18%</td>
<td>10%</td>
<td>14%</td>
<td>14%</td>
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<td>Funds (ETF) trading</td>
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<td>64%</td>
<td>100%</td>
<td>60%</td>
<td>50%</td>
<td>50%</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td>IPO subscription</td>
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<td>27%</td>
<td>27%</td>
<td>40%</td>
<td>20%</td>
<td>9%</td>
<td>9%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Internal solutions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Robo-advisory</td>
<td>64%</td>
<td>70%</td>
<td>45%</td>
<td>20%</td>
<td>64%</td>
<td>50%</td>
<td>43%</td>
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<td></td>
<td>Big data analytics</td>
<td>36%</td>
<td>30%</td>
<td>9%</td>
<td>30%</td>
<td>40%</td>
<td>20%</td>
<td>14%</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td>Digital offering to facilitate client interactions</td>
<td>91%</td>
<td>50%</td>
<td>55%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>17%</td>
</tr>
</tbody>
</table>

The percentages are calculated based on the total number of banks considered in each market (Singapore: 11; Hong Kong (SAR), China: 10; Mainland China: 11; India: 10; Australia: 9; Malaysia: 10; Indonesia: 7; Vietnam: 5). Cells with no value represent that no bank offers that digital capability based on our research.

Source: KPMG analysis based on data from company websites and annual reports.
Major trends in digital capabilities of wealth management and private banking players

Advanced client-facing features from WealthTech firms

WealthTech players are pushing the boundaries in wealth management across most markets with their advanced client-facing capabilities, such as intuitive and comprehensive dashboards and intelligent portfolio recommendations, which are available to both, investors as well as financial institutions.

Another key aspect has been their development and strong application of internal solutions, such as data analytics and robo-advisor platforms.

Partnering with some of the leading and emerging WealthTech platforms in each market can be highly beneficial for banks, as such features will help their advisors increase conversion rates, client engagement and the overall Assets Under Management (AUM).

Key markets

Mainland China  Australia  Singapore

Increased focus on leveraging Big Data analytics

With growing success in retail banking, investments in Big Data analytics are now witnessing a rise in the wealth management and private banking segment.

Banks are looking to gain from the benefits offered by these analytics, including:
- understanding client diversity and events that drive revenue and loyalty
- getting insights on client behaviour, financial attitude and investment motivation
- using payments and spending data to predict investment patterns
- as well as data mining for prospecting new clients

As big banks are in a strong position to leverage their existing data, they should look to increase investments in developing (or acquiring) such advanced analytics capabilities, especially in large as well as sophisticated markets in Asia, that help in generating useful client insights to offer targeted financial products.

Key markets

Mainland China  Singapore  India

Banks strengthen digital tools, capabilities of relationship managers

As digitalisation has given clients access to a large amount of data, it has become important for banks to empower their relationship managers with advanced tools and capabilities to offer quick, tailored and intelligent advice.

There are several features being offered by FinTechs targeted to support financial advisors that banks can look to develop or acquire. These include:
- better data visualisation tools, and easy to use dashboards
- processing live and historical data to get talking points for client meetings
- storytelling tools for better and effective video interactions
- voice-to-text technologies to speed up post-discussion call notes
- AI, machine learning and analytics to help boost recommendations

These help the advisors make a stronger case for their investment ideas.

Key markets

All markets, with a focus on UHNWIs

Banks look to integrate trading services into their online platforms

Given their wider product offerings vis-à-vis wealth managers, most leading banks across Asia offer trading services to their clients on their online platforms and apps.

These include investing in securities and funds, monitoring stock prices and providing real-time quotes and research insights. Moreover, stock analysis tools help analyse market movements and identify market entry or exit points.

Although many banks in Asia provide a range of such services, they can further expand their reach using their strong presence and cross-border connects across Asia.

Also, the trading-related news alerts (tailored as per portfolio), can be improved to match players such as DBS, which provides detailed market analyses and commentaries as alerts.

Key markets

Hong Kong (SAR), China  Singapore
### Key macroeconomic statistics on digitalisation in wealth management and private banking space

#### Scale: Comparative view of digital capabilities across eight markets

<table>
<thead>
<tr>
<th>Key metrics</th>
<th>Singapore</th>
<th>Hong Kong (SAR), China</th>
<th>Mainland China</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet penetration (%)</td>
<td>88%</td>
<td>91%</td>
<td>59%</td>
<td>50%</td>
</tr>
<tr>
<td>Internet users (million)</td>
<td>5.1</td>
<td>6.8</td>
<td>854.5</td>
<td>687.6</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>+5.3%</td>
<td>-0.03%</td>
<td>+3.1%</td>
<td>+23.0%</td>
</tr>
<tr>
<td>Mobile connections (million)</td>
<td>8.6</td>
<td>13.6</td>
<td>1,610.0</td>
<td>1,060.0</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>+1.7%</td>
<td>+2.8%</td>
<td>+4.3%</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Adoption of mobile banking in 2018* (%)</td>
<td>41%</td>
<td>30%</td>
<td>78%</td>
<td>-</td>
</tr>
<tr>
<td>Transaction value in digital payments (US$ billion)</td>
<td>15.4</td>
<td>14.5</td>
<td>2,309.0</td>
<td>74.0</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>+24.0%</td>
<td>+17.0%</td>
<td>+32.8%</td>
<td>+34.3%</td>
</tr>
<tr>
<td>Total HNW population (million)</td>
<td>0.3</td>
<td>0.6</td>
<td>7.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>+4.9%</td>
<td>+9.7%</td>
<td>+8.6%</td>
<td>+5.4%</td>
</tr>
<tr>
<td>Total UHNW population</td>
<td>3,306</td>
<td>2,737</td>
<td>61,587</td>
<td>5,986</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>+9.5%</td>
<td>-8.5%</td>
<td>+14.7%</td>
<td>+0.2%</td>
</tr>
<tr>
<td>Preferred digital wallets</td>
<td>Grab</td>
<td>WeChatPay</td>
<td>Alipay</td>
<td>Paytm</td>
</tr>
<tr>
<td></td>
<td>Paylah (DBS)</td>
<td>Alipay</td>
<td>WeChatPay</td>
<td>Google Pay</td>
</tr>
</tbody>
</table>

#### Key metrics

<table>
<thead>
<tr>
<th>Key metrics</th>
<th>Australia</th>
<th>Malaysia</th>
<th>Indonesia</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet penetration (%)</td>
<td>88%</td>
<td>83%</td>
<td>64%</td>
<td>70%</td>
</tr>
<tr>
<td>Internet users (million)</td>
<td>22.3</td>
<td>26.7</td>
<td>175.4</td>
<td>68.2</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>+1.2%</td>
<td>+3.6%</td>
<td>+17.0%</td>
<td>+10.0%</td>
</tr>
<tr>
<td>Mobile connections (million)</td>
<td>32.9</td>
<td>40.7</td>
<td>338.2</td>
<td>145.8</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>+1.3%</td>
<td>+0.4%</td>
<td>+4.6%</td>
<td>+1.9%</td>
</tr>
<tr>
<td>Adoption of mobile banking in 2018* (%)</td>
<td>43%</td>
<td>41%</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Transaction value in digital payments (US$ billion)</td>
<td>53.8</td>
<td>12.3</td>
<td>35.7</td>
<td>8.6</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>+16.3%</td>
<td>+21.7%</td>
<td>+27.6%</td>
<td>+19.3%</td>
</tr>
<tr>
<td>Total HNW population (million)</td>
<td>1.5</td>
<td>0.02</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>+7.4%</td>
<td>+6.6%</td>
<td>+1.5%</td>
<td>+11.8%</td>
</tr>
<tr>
<td>Total UHNW population</td>
<td>3,796</td>
<td>675</td>
<td>675</td>
<td>458</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>+5.2%</td>
<td>+2.1%</td>
<td>-1.60%</td>
<td>+7.3%</td>
</tr>
<tr>
<td>Preferred digital wallets</td>
<td>Apple Pay</td>
<td>Grab</td>
<td>GoPay</td>
<td>Payoo</td>
</tr>
<tr>
<td></td>
<td>Google Pay</td>
<td>Touch n Go</td>
<td>OVO</td>
<td>MoMo</td>
</tr>
</tbody>
</table>

Note(s): *Data used for adoption of mobile banking is for 2018 for each market (in order to maintain consistency)*
Key macroeconomic trends on digital adoption in wealth management and private banking space

Low satisfaction levels from current financial advice

According to a recent study, the wealthiest 30 percent Australians were less satisfied with their banking relationships vis-à-vis the bottom 30 percent, and this gap has widened during 2013–18, reflecting the unmet advice needs of HNWIs. Similarly, a 2019 KPMG report revealed that digital offerings of wealth managers in Hong Kong do not meet client expectations, owing to limited online services and lack of customisation and self-service functionality. While HNWIs in Singapore want real-time analysis and reporting on their portfolio as well as automatic portfolio re-balancing in response to market events.

This is a major opportunity for banks as they can benefit from the unmet demands in these markets by developing such digital offerings as well as encouraging their advisors to strengthen their relationships with clients.

Key markets
Australia          Hong Kong (SAR), China         Singapore

New opportunities from growing middle-class and mobile banking adoption

High rates of internet penetration in Asia have led to an increase in the adoption of online and mobile services, such as e-wallets and mobile payments. This has made wealth management products accessible to the large and growing middle-class population in the region at lower costs.

Banks having strong presence among the HNWIs should now increase their focus on the untapped investment opportunities in these mass markets. They can learn from the strategies of certain upcoming payments firms (probably even look for partnerships) and offer short-term liquid investment options, such as money market funds, to channelise the currently idle wealth of this population.

Also, since these clients are fee-sensitive, banks should develop efficient solutions, such as robo-advisory, that offer personalised services to them at a lower cost.

Key markets
Mainland China          India          Indonesia

Growing UHNW population creating demand for personalised solutions

Asia’s UHNW population is expected to increase significantly over the next five years, thereby creating demand for more sophisticated and personalised wealth management advisory services.

Since these clients prefer a mix of both digital and personal engagement to meet their advisory needs, banks should focus on strengthening the digital capabilities of their RMs along with investment in advanced technologies.

They should build predictive models that forecast future investment growth and provide real-time analysis for investments tailored to clients’ goals. They should also focus on boosting their virtual advisory proposition as the pace of digitisation in private wealth management has accelerated during the COVID-19 pandemic.

Key markets
Mainland China          India          Indonesia

Strong hold of tech players in e-wallets/mobile payments

In markets such as mainland China and Hong Kong, technology giants dominate the online and mobile payments system, sidelining the banks from this intermediary role. Also, there are several e-wallets and payment platforms emerging in other markets.

Like most traditional banks in Asia, large foreign banks should aim to collaborate with all leading digital payment platforms (from major players such as Alipay or Apple Pay to smaller upcoming players) to cover the maximum population.

Simultaneously, banks should aim to expand their own payment interfaces, such as HSBC’s PayMe in Hong Kong and SimplyPay in India, to more markets within Asia as well as the private banking and wealth management segments.

Key markets
Mainland China          Hong Kong (SAR), China          India
### Regulatory developments that support digital wealth management and private banking

#### Regulations related to Singapore, Hong Kong (SAR), Mainland China, India

<table>
<thead>
<tr>
<th>Regulations related to</th>
<th>Singapore</th>
<th>Hong Kong (SAR), China</th>
<th>Mainland China</th>
<th>India</th>
</tr>
</thead>
</table>
| FinTechs             | • New Act supporting payment FinTechs  
                      • Sandbox Express for FinTech innovations | • Introduced FinTech Supervisory Sandbox 2.0 | • Tightened regulations on FinTechs | • Regulatory sandbox for FinTechs; New department to focus on FinTech |
| Digital banking      | • Issued nine virtual banking licences (2020)  
                      • Allowing existing banks to launch digital banks | • Issued eight virtual bank licences (2019)  
                      • Expanded adoption of Faster Payment System | • Step towards digital-only banking licences  
                      • New online lending rules | • Guidelines for interoperability of e-wallets  
                      • Ombudsman Scheme for digital transactions |
| Open banking         | • More market-driven  
                      • Asia Pacific leader in open banking readiness | • Phase I and II launched in 2019; next update in 2020 | • Market-driven and in its infant stage | • Managed by non-banking financial company–account aggregators |
| Cross-border services and payments | • Proposed exemptions to foreign firms to offer cross-border services  
                      • Expanded market connectivity with mainland China  
                      • Developed settlement mechanism for FX transactions | • New forex rules to ease cross-border transactions  
                      • Wealth Management Connect programme | | • Relief for cross-border payments |
| Cyber-security       | • New mandatory cyber resilience requirements | • Enhanced cyber resilience | • Cybersecurity and personal data protection | • No dedicated cybersecurity law, comes under IT Act |
| Other initiatives    | • Relaxed rules for robo-advisors  
                      • Launched guidelines for fund managers | • Relaxed taxation system  
                      • Unregulated trustee services | • New asset management rules  
                      • Outbound investments | • New guidelines for digital KYC  
                      • Introduced Investment Advisers Regulations |

#### Regulations related to Australia, Malaysia, Indonesia, Vietnam

<table>
<thead>
<tr>
<th>Regulations related to</th>
<th>Australia</th>
<th>Malaysia</th>
<th>Indonesia</th>
<th>Vietnam</th>
</tr>
</thead>
</table>
| FinTechs             | • New rules to allow start-ups to conduct banking business  
                      • Enhanced its Reg. Sandbox benefits | • Increased collaboration with regulatory bodies  
                      • Implemented digital financial innovation rules | • Increased collaboration with regulatory bodies  
                      • Implemented digital financial innovation rules | • Plan to launch regulatory sandbox for FinTechs  
                      • Dedicated team to promote FinTechs |
| Digital banking      | • Several neobanks currently operating  
                      • APRA proposed digital wallet regulations | • Licensing framework for digital banks  
                      • Started digital investment management framework | • Allowing commercial banks to provide digital banking services | • Measures to bolster non-cash payments |
| Open banking         | • Government-driven  
                      • Rolled out open banking in 2020 | • Encouraging banks to adopt standards of open application programming Interfaces (APIs) | • Standardised implementation of open banking by 2025 | • Working on a draft circular for application of open APIs |
| Cross-border services and payments | • Working with NZ and South Pacific banks to reduce cross-border payment costs | • Building up cross-border payments infrastructure | • Entering cooperation agreements with different markets in Asia Pacific | • Certain restrictions on investing outside Vietnam |
| Cyber-security       | • Released new 2020 Cyber Security Strategy | • Lack of strict cyber security laws | • Draft of Cyber Security and Resilience Act | • New law on cybersecurity |
| Other initiatives    | • Proposal to place limits on cash payments to benefit digital payments  
                      • Renewed Governance, Culture, Remuneration and Accountability (GCRA) standards | • Increased tax rates and restricted stamp duty remissions  
                      • Legalised digital asset and crypto trading | • Strengthening money market infrastructure  
                      • Initiatives to strengthen payment landscape | • Relaxed foreign ownership restrictions |
Regulatory trends that support digital wealth management and private banking

Government support to FinTechs to intensify competition

Most governments in the region are supporting FinTechs by relaxing regulatory requirements and promoting sandboxes, etc., with the aim to intensify competition and promote digital advancements brought in by these new players.

As a result, we can expect foreign banks to face increased competition from these emerging players, over and above the existing stronghold of traditional domestic banks in most of these markets.

One key approach adopted by the incumbents is to start investing in, acquiring, or partnering with these FinTechs to not only enhance their digital capabilities, but to reduce competition as well. Developing in-house capabilities to rival these players can also be an effective approach, particularly in less developed markets.

Key markets

Mainland China Australia

Strong focus on governance and consumer protection

Certain governments in the region are trying to strike a balance between innovation and maintaining regulatory guidelines that ensure consumer protection. They are trying to develop a supervisory infrastructure that supports financial and consumer protection, such as the GCRA standards in Australia, Ombudsman scheme for digital transactions in India and new online lending rules in mainland China.

Further, governments are also focused on strengthening cyber-security capabilities to mitigate the growing risk of cyber threats, thereby gaining customer confidence to carry out online financial transactions effectively.

Banks should keep an eye on these regulations in different markets to ensure compliance and identify effective measures to manage the related costs.

Key markets

Mainland China India Australia

Indonesia Malaysia

Opportunities from open banking

As many governments in the region are promoting Open Banking, sharing of clients’ data is expected to allow banks to offer a variety of financial services, providing customers with a better experience and the most relevant choices.

With access to this customer data from a common platform, banks should look to strengthen their data analytics capabilities to innovate their offerings. These include:

- digital onboarding of clients using data collected through the new platform
- dynamic financial planning based on clients’ spending patterns, savings and income
- providing personalised product recommendations based on risk appetite
- offering alternative investment opportunities by looking at clients’ preferences
- allowing trading credit looking at client’s investments held with third parties

These deliver more value to the clients by creating new ways of growing their wealth.

Key markets

Singapore Hong Kong (SAR), China Australia

Increased focus on cross-border capabilities

All governments are taking initiatives to enhance cross-border transactions in the region, such as Wealth Management Connect in the GBA, to expand market connectivity and reduce cross-border payments cost.

These initiatives provide investors with greater product diversity and asset allocation options, along with improved product design, service quality and risk management.

Since, domestic banks in many of these markets have relatively less developed offshore infrastructure, foreign banks can leverage their stronghold in the Hong Kong (SAR), China and Singapore offshore wealth markets to act as a one-stop shop for facilitating clients’ offshore banking needs.

Banks can also use their wealth management and private banking expertise to build infrastructure in other neighbouring markets that can meet the financial needs of the investors.

Key markets

Mainland China Australia Indonesia Malaysia
Strong internet penetration and tech-savvy customers pushing the adoption of digital tools and channels

Home to a growing Ultra HNWI (UHNWI) population

Singapore has been one of the top 10 locations in terms of growth in UHNWI residents. In 2019, there were 3,306 UHNWIs residing in Singapore. This figure is projected to grow by 29 percent by 2024.

- Since 2000, wealth per individual in Singapore has increased 5.3 percent, considerably higher than the growth rates in Asia Pacific.

13M People with $1+ million in investable assets (including their primary residence), reflecting high average wealth

75% In terms of household wealth per adult within Asia and sixth in the world
Rising wave of tech-savvy consumers

The well-established IT infrastructure of Singapore has made its consumers more tech-savvy, driving them to increasingly demand technologically advanced products over traditional offerings. This also makes them readily embrace digital tools and digitalised investment products.

Growing adoption of digital and mobile banking as well as digital payment channels such as e-wallets

Being a home to tech-savvy customers and with a strong internet and smartphone penetration, the adoption of mobile banking in Singapore has grown, up from 53 percent in 2018 to 65 percent in 2019. However, it is still significantly lower than that of mainland China.

The digital payments space of the Singapore market is developing at a rapid pace with consumers shifting to digital wallets and QR codes from the card-based system. By 2020, digital payment users are projected to reach 3.1 million and by 2021 digital wallets are expected to make ~22.5 percent of e-commerce sales.

- Grab, DBS’ Paylah, Favepay, EZ-Link and Alipay are the leading wallets in terms of usage and hold significant market share.

Internet penetration in Singapore, with a total of 5.1 million internet users

88% of all internet users use a smartphone to access the internet

The consumers in the market are also increasingly demanding more interaction and better digital experiences, creating opportunity for banks to enhance their digital offerings, launch new innovative products and provide customised finance solutions.

According to a recent survey conducted by Finder, Singapore is ahead of many markets in terms of digital banking adoption. It revealed that currently 20 percent of adults have an account with a branchless bank, and this figure is expected to rise to 33 percent by 2025.

Moreover, the COVID-19 pandemic is likely to act as a catalyst in digital transformation in the market and fuel the adoption of digital banking.
Opportunities for banks to collaborate with FinTechs and offer a broader range of services

Increased collaboration between banks and FinTech players to drive digital transformation

Banks in Singapore are actively investing in technology and focusing more on collaborations to protect their business models.

According to S&P Global’s report, the FinTech space in the Singaporean market is likely to be more collaborative than disruptive, with banks preferring to form an alliance rather than competing with them. In the wealth management space, banks are collaborating with WealthTech players to enhance their digital offerings.

- HSBC collaborated with Bambu, a robo-advisory solutions provider, to offer an online HSBC Wealth Planner platform in Singapore.
- OCBC bank partnered with WeInvest to launch robo-advisory and digital wealth services.

Banks look to provide data-driven customised finance solutions

Banks are making strong efforts to leverage more client data to bring higher customisation in the mass affluent segment in wealth management.

- DBS announced the launch of a new feature that will convert customer data into ‘hyper-personalised’ recommendations for customers to manage their finances and investments. It also intends to deliver customised market insights based on customers’ investments and behaviour.
- SCB launched a personalised investment tool that uses Big Data to help its relationship managers advise affluent clients.

Singapore’s rising FinTech sector

Benefitted by highly skilled workforce, well-established IT infrastructure and strong regulatory environments, Singapore has emerged as the leading market in Southeast Asia in terms of total FinTech investment dollars as well as consumer adoption.

According to an analysis by Oliver Wyman, investments in Singapore’s FinTech space grew from US$642 million in 2018 to US$861 million in 2019. Also, the sector witnessed a significant rise in the number of deals vis-à-vis 2018.

% breakdown of funding in FinTech firms, by sub-sector (2019)

- Payments: 37%
- WealthTech: 24%
- Lending: 19%
- InsurTech: 11%
- RegTech: 5%
- Others: 4%

Source: CB Insights, SFA-OW FinTech Survey 2020, n=63, Oliver Wyman analysis

Impact of COVID-19

The FinTech space continued to gain momentum in 2020 and has witnessed significant deployment of funding in the second quarter despite the COVID-19 pandemic.

- According to a report by the Singapore FinTech Association, total financial technology investments increased more than 300% in 2020.

However, the pandemic caused restructuring at a number of banks as well as delayed the approval of working visa applications and strictness in approving foreign hires that forced expat private bankers to move back to their home regions, leading to reduced talent in private banking sector in the Singapore market.
Rising growth in family offices with shift towards onshore wealth management

Shift from offshore to onshore wealth management

Singapore is the second most preferred place in the world for offshore wealth management. In 2018, total global offshore wealth stood at US$10.3 trillion, out of which Singapore accounted for about 11.7 percent (US$1.2 trillion). Supported by its depth of banking services, effective regulations, and highly transparent government, the market has attracted various investors including asset management firms, bank subsidiaries, and corporations to establish their private offshore trusts/companies.

However, in the wake of the arrival and implementation of global reporting standards such as Common Reporting Standards, and substantial requirements in traditional offshore jurisdictions such as the British Virgin Islands and Cayman Islands, there has been a worldwide shift amongst HNWIs and UHNW families to ‘onshore’ wealth structures in Singapore.

This shift can be clearly witnessed with banks such as UBS and Credit Suisse investing more and more in their onshore/nearshore capabilities.

Moreover, limited travelling amidst COVID-19 is further expected to accelerate the trend of storing wealth in onshore/nearshore areas.

Benefiting from regional uncertainty

Singapore is expected to benefit by any increased uncertainty in the operating environments of rival cities in the region. For instance, it has been reported widely that several international wealth management houses have decided to set up offices in Singapore in favour of other potential locations to capitalise on the relative stability of the city in regional geopolitical terms.

Moreover, it has been widely reported that some of the leading private banks including UBS, Credit Suisse and Julius Baer plan to increase staff manage mainland China and Hong Kong offshore wealth, particularly focusing on Singapore.

Robust increase in family offices

Singapore has been one of the preferred wealth management and private banking centres for Asian families and in past few years has witnessed a steep rise in family offices.

The majority of these investors are from the Southeast Asian markets, mainland China, India, and Europe.

In 2019, Singapore emerged as the biggest FDI host in Southeast Asia, reporting a 42 percent year-on-year growth in FDI inflows.

The number of family offices in Singapore grew four-fold during 2015–17 and has continued to grow steadily since 2018. Acknowledged for its political stability, solid financial sector, favourable tax regime and highly skilled workforce, Singapore has been able to attract many family businesses.

- Regulators are increasingly making efforts, such as tax incentives, special funds structures and promising residency to lure family offices, aiming to position Singapore as the leading wealth management hub in Asia.

Moreover, the shift in favour of Singapore as a preferred wealth management destination will support the growth of family offices in the Singaporean market.

- A few of the banks including DBS have revealed that they are benefitting from a growing trend of global family offices and planning to setup a dedicated capability in Singapore.
The government of Singapore has implemented several regulatory reforms that support the growth of digital financial services in the market. The new Payment Services Act and issuance of digital banking licences, coupled with a strong cybersecurity regime and development of a regulatory sandbox is enabling Singapore to come up as a market that offers advanced financial products.

**Launch of Payment Services Act 2019 to bolster payment services**

In 2019, the MAS announced the new Payment Services Act to provide regulatory certainty and consumer safeguards, while encouraging innovation and growth of payment services and FinTech.

- The Act aims to establish a licensing regime and provide direct oversight of payment systems and payment service providers.
- The Act also expands the MAS’ regulatory powers to new types of payment services such as e-money issuance services and digital payment token services.

Implementation of this Act will promote broader adoption of digital payments. New players are expected to enter the market, exploring and offering alternative payment gateways/acquirer services, replacing the traditional banking network infrastructure.

**Virtual banking licences to promote digital banking and competition**

In June 2019, the MAS announced its intentions to issue virtual banking licences to promote digital banking. It will issue five new virtual banking licences, including two full digital banking licences, and three digital wholesale licences exclusively for SMEs and other non-retail segments in Singapore. Additionally, existing banks can launch their own digital banks.

This move will allow technology players and non-banking companies to move up the value chain and challenge traditional lenders. This will also draw more foreign players to enter the market, thereby giving strong competition to domestic banks.

As of June 2020, the MAS informed that of 21 applications received, 14 applicants (undisclosed) have moved forward to the next phase of its evaluation process.29

**New rules to strengthen cyber resilience of FS sector**

In August 2019, the MAS issued a set of legally binding requirements — Cyber Hygiene Notices — mandatory for all the financial institutions to mitigate the growing risk of cyber threats.

These requirements are expected to raise the cyber security standards and strengthen cyber resilience of the financial sector, thus boosting the confidence of clients to carry out online financial transactions effectively.

**Sandbox Express launched for faster testing of innovative FS products**

In August 2019, the MAS launched Sandbox Express to provide FS firms with a faster option to test innovative financial products and services in the market, by relaxing the existing Sandbox approvals process.

It is suitable for innovations where risks are low and can be managed within pre-defined parameters. FinTechs with more complex models can apply to the existing 2016 FinTech Regulatory Sandbox.

- One of the leading wealth management platforms in Singapore — Kristal.AI — entered the sandbox in 2017 to experiment with its digital product offerings.

This will pull more WealthTech players to experiment with new technologies before going to market.

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Strategic initiatives to enhance wealth management capabilities

In the past year, the Government of Singapore has launched new frameworks to promote Singapore’s position as a prominent funds hub, with greater cross-border services to customers. It has also introduced new rules and guidelines to improve the overall ease of doing business, such as relaxation for robo-advisory service providers.

Launched new structure for corporate funds

In January 2020, the MAS launched the Variable Capital Companies (VCC) framework, a new corporate fund structure tailored for collective investment schemes.

- The framework is expected to cement Singapore’s asset and wealth management sector’s position in the market as a prominent funds hub.
- With the option to set up an umbrella fund, VCC provides fund managers with operational flexibility as well as cost savings from scale, thereby, attracting more offshore funds to be domiciled in Singapore.
- The VCC framework is also expected to attract higher interest from large family offices and trusts to set up investment vehicles in Singapore by providing benefits such as access to capital shares, transparency and reasonable taxation.

Since the launch of the framework, over 20 investment funds have been launched in the form of the VCC structure.30

Updated guidelines for fund managers

In October 2019, the MAS updated the Guidelines on Licensing, Registration and Conduct of Business for Fund Management Companies.

These guidelines describe the eligibility criteria and application procedures for different types of fund management companies as well as set out business conduct requirements related to custody, valuation and reporting, conflicts of interest mitigation, disclosure and submission of periodic returns.

The continuous updates have brought clarity on business activities to be conducted by fund managers and licence application standards to adhere to, leading to easier and transparent procedure for the players trying to enter the market.
Revised exemption framework for cross-border arrangements of capital markets intermediaries

In June 2020, the MAS proposed revisions to streamline the exemption framework for business arrangements between financial institutions in Singapore and foreign-related corporations (FRCs), by moving away from the current approval-based regime to a new notification-based regime.

The new framework will allow FRCs to provide cross-border services related to capital markets to customers in Singapore without having to hold a licence. As a result, the overall service offerings provided to the customers are expected to broaden within the market.

Relaxed rules for robo-advisory service providers

In October 2018, the MAS issued guidelines on provision of digital advisory services in Singapore, which involved certain relaxations for the providers.

Under the guidelines, firms offering digital fund management advisory services to retail investors are exempted from the corporate track record and AUM requirements set by the Securities and Futures Act. However, they are required to adhere to certain requirements, leading to development of new online business models that provide investors with more options to access investment advice.
Large number of players providing access to global markets, with strong focus on digital wealth services

Comprehensive suite of wealth management players operating in the market

A large number of domestic and foreign players are operating in the market that offers its HNWIs access to global and regional financial markets, along with a gamut of wealth management services.

Three local banks — DBS, OCBC and UOB — hold a combined market value of more than S$150 billion.31

- Offering robo-advisory services and creating digital platforms using data analytics, particularly focused on trading and financial planning, are some of the common developments in this segment.
- DBS provides a digital financial planning solution — NAV planner — that leverages data analytics to recommend customised solutions, depending on clients’ life stages and financial circumstances.
- Citi leverages Thomson Reuters, a stock analytics tool to support investment decisions.

Digital wealth service providers transforming traditional services

The next generation digital wealth platforms are transforming traditional roles and propositions of bank-based wealth managers to more holistic investment advisory and asset management services.

Players such as WeInvest, AGDelta and Bambu are offering more efficient and automated B2B processes at lower costs with more viable options for investors, even for those in the lower mass affluent segments.

Certain wealth managers are also exploring ways to partner with these platforms to offer alternative modes of distribution and product delivery to their clients.

- In August 2018, OCBC Bank partnered with WeInvest to launch its robo-advisory and digital wealth services.

Moreover, technology players such as Ant Group, Grab and Tencent are entering the wealth management space.

- Grab acquired a robo-advisory app Bento — rebranded as GrabInvest — to sell retail wealth management and financial planning products.
Comparison of digital capabilities and offerings by leading players for HNW clients

In Singapore, both banks and platform-based wealth managers provide a wide range of digital capabilities. Traditional banks are well placed in providing digitised trade execution and client interaction capabilities, whereas WealthTechs mainly provide robo-advisory services and portfolio recommendations powered by Big Data analytics.

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<tr>
<th>Digital capabilities</th>
<th>DBS</th>
<th>Citi</th>
<th>SCB</th>
<th>HSBC</th>
<th>UBS</th>
<th>UOB</th>
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Leading traditional banks | Leading wealth management platforms

Source: KPMG analysis based on data from company websites and annual reports
An opportunity for banks looking to reposition themselves as innovative and progressive wealth managers

Recommendations

Given the current wealth management landscape for Singapore, there is a vast opportunity for banks to reposition themselves as innovative and progressive wealth managers, with a view to becoming market leaders in the next three to five years.

Banks should focus on providing more customised platforms to their clients, that can offer real-time analysis and reporting of investment portfolio, automate re-balancing of portfolio in response to market events, and provide recommendations for different investments tailored to clients’ requirements.

They should also increase their investments in robo-advisory solutions to provide personalised recommendations, and advanced data-driven technologies, such as Big Data analytics, AI, for generating models to forecast future investment growth.

Banks can also look to partner with leading B2B digital wealth service providers to offer more efficient and automated processes at lower costs with more sustainable options for investors.
Leading players and their digital wealth management offerings

Leading traditional banks

**DBS**

**Description**

- Leading financial services group in Asia, with very high banking penetration (98%)
- Provides unique digital offerings in each segment; built up ~3.3 million customers on digital platforms, allowing them to undertake banking transactions from payments to investments
- DBS Vickers, the brokerage arm of DBS, continues to build up its digital capabilities and introduced innovative solutions, including online customer onboarding and direct debiting/crediting for trades done across eleven exchanges in core markets
- DBS Treasures Private Client and DBS Private Bank offer personalised investments and wealth advisory services to affluent clients

**Digital offerings in wealth management and private banking or for affluent clients**

- **DBS iWealth®**, a dedicated platform for wealth management clients, allows users to choose from over two hundred Funds and Unit Trusts in twelve currencies, trade equities across seven global markets, monitor banking, trading and wealth portfolio, provides users with research and insights, and price alerts relevant to their investment portfolio
- **DBS digiPortfolio**, a hybrid human-robo solution, enables consumer banking/wealth management customers to gain financial expertise and investment opportunities, but usually limited to ultra high-net-worth clients
- Launched a new comprehensive digital financial planning solution — **NAV planner** — that leverages data analytics to recommend tailored solutions to customers depending on their life stages and financial circumstances
- Launched **DBS Treasury Prism**, their first online treasury and cash management simulation tool that features an ‘Optimisation Score’ derived from a smart algorithm and takes into account the interest yield and debt, tax, bank fees and corporate costs, helping users quantify the benefits of each structure

**Citi**

**Description**

- One of the largest foreign banks in Singapore
- Introduced Citi PayAll, enabling credit card payments for rent and education on mobile devices.
- Launched digital onboarding for institutional clients through CitiDirect BE
- Continued to enhance wealth management capabilities by investing in offerings and digital tools to meet a wider spectrum of customer needs
- Citi Priority serves the needs of emerging affluent clients; Citigold and Citigold Private Clients offers institutional-grade and personalised wealth management services

**Digital offerings in wealth management and private banking or for affluent clients**

- **eFX**, an online platform, eases access to the FX market and provides services that are tailored to users’ foreign currency trading needs
- **eBrokerage** allows to invest in securities, monitor stock prices, track trading movement and provide access to free real-time stock quote services and international news and research
- Uses Thomson Reuters Stock Analytics tool that provides a series of stock market insights and analysis to assist users’ investment decisions
- **Total Wealth Advisor**, an online tool, gives users a complete view of their asset allocation and allows them immediate access to a comprehensive and holistic view of their financial position
- **Digital Bank** provides a digital wealth management platform that facilitates real-time money transfer for wealth management clients and enables the bank’s relationship managers to interact with their Private Banking and Citigold Clients through live chat
- Introduced **Citi® Global Collect**, a new cross-border platform that allows clients to manage cross-border business-to-business payments by digitising the transaction process and embedding FX capabilities
Leading players and their digital wealth management offerings

Leading traditional banks

**Standard Chartered Bank (SCB)**

**Description**
- One of the largest foreign banks in Singapore with digital banking penetration of 54 per cent
- Launched real-time client on-boarding on digital channels
- Priority Private offers a suite of personalised wealth solutions with exclusive privileges to affluent clients
- Introduced Premium Banking service to serve emerging affluent clients
- Launched Impact Philosophy for high-net-worth clients to offer sustainable financing services

**Digital offerings in wealth management and private banking or for affluent clients**
- Introduced **LiveFX**, a real time FX conversion platform
- **Online Unit Trusts platform** allows portfolio funding and portfolio management with an embedded feature to track performance and access research tools
- **SC Online Trading tool** allows smart and seamless trading at 15 stock exchanges, across 10 markets
  - Exchange Traded Funds (ETFs) selector tool helps to filter ETFs available for online trading
  - Technical and fundamental stock analysis tools help to analyse market movements and identify the market entry or exit points
- **SC DigiAdvisory** connects users with relationship managers or insurance specialists to offer tailored wealth management advice

**HSBC**

**Description**
- One of the leading traditional banks in Singapore
- Continued to make significant investments in enhancing its digital capabilities
- Launched eSignature on Wealth Tablet, where documents can be sent electronically to customers for their signatures to complete investment-related transactions
- Launched a dedicated independent asset management unit catering to the needs of family offices and independent advisers managing wealth on the behalf of their clients
- **HSBC QuickFX app** enables customers to actively manage and plan for their foreign currency and remittance needs and provides a suite of other FX solutions
- **HSBC International Mortgage** enables customers to diversify portfolio, with preferential rates as a HSBC Jade client

**Digital offerings in wealth management and private banking or for affluent clients**
- **HSBC Wealth Planner** enables customers to map out their wealth goals and assess their financial health online and **Wealth Insights Hub** provides customers with real-time access to financial insights and investment-related educational information
- **HSBC Wealth Dashboard** gives users a complete view of their investments, analyses portfolio from different angles and provides latest financial news and insights, automatically sorted by relevancy to the current portfolio holdings
- **HSBC Jade** provides online tools and human expertise to manage clients’ wealth
  - Inbuilt with end-to-end financial planning and tracking capabilities, **HSBC Wealth Portfolio Plus** leverages technology, and offers analytical capabilities to investors, helping them to track the progress of their financial goals and take informed decisions on their investments
- **HSBC Structured Product Online Platform** allows accredited investors to invest in structured products offered by the bank
Leading players and their digital wealth management offerings

Leading traditional banks

**UBS**

**Description**

- UBS in Singapore was established in September 1970. It is ranked among the leading wealth managers in the market.
- Singapore is one of the two major international booking centres for UBS’ Global wealth management business in the region.
- Singapore is the single trading hub in Asia for Forex, Rates and Credit.
- Launched its first Asia Pacific innovation centre (EVLOLVE) in Singapore.
- Was awarded as the Best Private Bank services overall and best Private Bank for tech at Professional Wealth Management Global Private Banking awards, 2019.

**Digital offerings in wealth management and private banking or for affluent clients**

- Offers UBS Mobile Banking and UBS Access applications, that allows customers to track portfolio performance, to access insights, view investment dashboard and to understand their risk tolerance.
- Users can also access details and market news for instruments in multiple asset classes, set price alerts to track investment opportunities and trade in equities, bonds and funds in global markets via web/mobile based platform.
- Allows its customers to directly interact with advisors using different communication channels such as WeChat and WhatsApp.
- Offers UBS Manage™ service under which investment experts will manage portfolio, but the clients have the option to monitor their investments, change their investment strategy and question their advisors.
- With UBS Advice™, it allows clients to manage their investments on their own and provide them with expert advice based on their goals and risk appetite.

**United Overseas Bank (UOB)**

**Description**

- One of the leading traditional banks in Singapore with digital banking penetration of 96 percent (includes ATM transactions).
- Bank’s relationship managers leverages AI, advanced data analytics and digital wealth advisory tool, to recommend suitable investment solutions to the customers.
- UOB Private Bank focusses on the investment goals of high net worth clients.

**Digital offerings in wealth management and private banking or for affluent clients**

- **UOB Portfolio Advisory Tools**, a digital wealth management platform, consists of a suite of three complementary digital tools:
  - **Portfolio Tracker** tracks one’s portfolio health with an overview of their entire product holdings, together with gains and losses.
  - **Portfolio Insights** provides insights on how the bank’s recommended portfolio compares with the customer’s current portfolio; showcases a holistic risk-return analysis and robust scenario simulations by stress-testing portfolios in various significant market events.
  - **Portfolio Explorer** allows a 360 degree evaluation of a customer’s portfolio across various risk and performance parameters – dynamically, in real-time with a live market data feed.
- **UOB Capital Builder** allows fund diversification, provides greater access to investment opportunities and achieve sustainable capital growth across market cycles.
- **UOB Asset Management Invest**, a robo-advisory app personalises customers’ portfolio aligned to their investment objectives.
- Launched **MyPortfolio**, a digital investment dashboard to provide an integrated overview of portfolio to HNWIs.
- Provides online trading platform for stocks — **UTRADE**, with price alerts, trading insights, fundamental and technical analysis.
Leading players and their digital wealth management offerings

Leading traditional banks

OCBC (Oversea-Chinese Banking Corporation)

Description

- One of the longest established Singaporean banks that provides private banking services through its separate banking arm, Bank of Singapore
- OCBC Premier Banking platform caters to the affluent segment and OCBC Premier Private Client caters to the HNWI segment
- Continued to deploy solutions supported by AI across the bank’s wealth advisory, risk management, cyber security and compliance units

Digital offerings in wealth management and private banking or for affluent clients

- Launched a full suite of goal-based advisory and financial planning solutions on digital platforms
- OCBC Mobile Banking app provides access to market insights and investment ideas, allows users to keep track of investment portfolio and provides personalised recommendations based on users’ holdings
- OCBC RoboInvest allows its users to invest in thirty three thematic portfolios, such as precious metals, impact investing and PRC growth, across six markets for a wide range of risk appetites or investment preferences; allows automated portfolio monitoring and 24/7 accessibility to investments with digital banking
- iOCBC Online Trading Platform provides direct market access to both local and overseas key securities exchanges, allows tracking of cash, margin and share borrowing portfolios, and receipt of trade confirmations
- iOCBC TradeMobile allows management of investments via mobile
Leading players and their digital wealth management offerings

Leading wealth management platforms

AutoWealth

- A licensed digital financial advisor that uses a proprietary algorithm to provide financial advice and investment management online
- Have automated process that cuts down the processing time and middleman costs while providing customised recommendations to the customers on the ideal composition of their investment assets
- Uses passive market-returns portfolio investment approach and places strong emphasis on portfolio allocation and diversification without market speculation, allowing customers to earn greater returns
- Allows cost-efficient diversification through index-tracking ETFs, provides comprehensive reports of accounting for entire assets and follows hybrid model by providing a dedicated wealth manager regardless of the investment amount of the customer

Connect

- A premier digital advisor in Singapore that provides personalised advice and combines the latest technology and academic research for its customers so that they can take control of their investments and maximise their returns
- Allows end-to-end digital onboarding and provides unique asset allocation for investors with different financial goals and risk tolerances
- CONNECT Prime offers services and investment choices to accredited investors that are normally reserved for only ultra high net worth private banking clients
- Provides a complete package of private banking services under one roof and 24/7 online access to view and monitor portfolio performance
- Allows self-directed trading in equities and fixed income, provides detailed, real-time portfolio reports and access to premium research

Kristal.AI

- An online investment platform that focuses on providing personalised products and advice to its clients
- Functions on a hybrid model that leverages advanced algorithms and investment professionals’ strategies to assist users to invest in a variety of financial products (private equity, pre-IPO deals, VC Funds & other investments including bitcoin, gold, hedge funds, etc.) and select the investment portfolio that suits their return-risk preference
- Gained a significant market share in Singapore and focused on scaling geographically in other Asia Pacific locations with differentiated offerings

StashAway

- A digital wealth management service provider that combines personalised wealth management and financial planning services through its data-driven investment framework to offer globally-diversified portfolios
- Platform analyses financial assets, investment time horizon, and risk preferences to personalise customer’s portfolio through a systematic asset allocation strategy
- Launched an SGX-traded income-generating portfolio that aims to provide investors with an income of 3.75 percent and capital appreciation of 4.4 percent annually; the portfolio was listed among the top ten new funds in 3Q19 by Citywire Asia
Efficient IT infrastructure with growing online and mobile banking adoption

One of the best IT infrastructures globally

Hong Kong has one of the world’s most sophisticated IT infrastructures, ranking third on average fixed broadband internet speed and fourth in terms of 4G accessibility in 2019. As a result, the leading banks in Hong Kong have spearheaded a strong wave of technological enhancements over the past two years.

91% Internet penetration in Hong Kong, with a total of 6.8 million internet users

~75% Smartphone penetration in Hong Kong, with 97% of all internet users using a smartphone to access the internet
Growing adoption of advanced digital services such as mobile banking and digital wallets

With strong internet and smartphone penetration, the adoption of mobile banking in Hong Kong is growing. However, it is still significantly lower than that of mainland China, leaving ample room for improvement. The usage of mobile wallets is rising rapidly as it offers more personalised services, seamless payment experiences, and integrated payment interfaces to customers.

- WeChat Pay, Alipay and O!ePay are the leading players in terms of usage and have gained significant market-share in the past few years.
- HSBC’s PayMe is also one of the most successful payments apps in Hong Kong, with over 70 percent of Hong Kong millennials using it.

Hong Kong citizens used mobile banking in 2019 to interact with their banks, compared with 30% in 2018.

Consumers are active users of mobile wallets, with ~60% using their mobile wallet every week.

Home to a growing UHNW population

Hong Kong has grown in stature as a wealth management centre, owing to a large concentration of UHNW population driving demand for digital financial services. Offshore clients also make up an important part of the sector.

People with net worth over US$1 million (including their primary residence), witnessing growth of 123% during 2014–19.

In terms of UHNW population per capita, globally.

Marked improvement in meeting HNWI’s digital expectations

According to KPMG’s Hong Kong Private Wealth Management Report 2020, wealth managers marked a significant improvement in meeting clients’ digital expectations, compared to 2019, driven by firms’ accelerated digital transformation and a clear focus on digital client engagement, as a result of COVID-19.

Private wealth management firms believe that their digital offerings meet client expectations.
Incumbents realising collaboration opportunities with WealthTechs to offer a broader portfolio

Booming WealthTech industry in Hong Kong

With shifting demographics and favourable regulations, the WealthTech industry is rapidly growing in Hong Kong. According to Hong Kong’s Financial Services and the Treasury Bureau, 57 new FinTech firms entered the market in 2019, of which WealthTech formed 20 percent (the second-fastest growing sector) followed by payments (17 percent).  

% breakdown of new FinTech firms in Hong Kong, by sub-sector (2019)  

- Blockchain: 6%
- WealthTech: 20%
- Payments: 9%
- InsurTech: 17%
- RegTech: 39%
- CreditTech: 20%
- Cybersecurity: 2%

Source: Financial Services and the Treasury Bureau, Government of the Hong Kong Special Administrative Region

The WealthTech industry is gaining increased momentum in 2020 and has seen several developments, with a number of foreign players entering the market.

Rapid technology adoption to be a key growth enabler and essential to face competition from new entrants

According to KPMG’s Hong Kong Private Wealth Management Report 2020, private banks and wealth managers in Hong Kong expect ~20 percent of current offline client-advisor interactions to be conducted over digital channels over the next five years. To adapt to this, they are investing in new technologies broadly focused around three areas:

- increasing use of value-added features within online and mobile platforms such as portfolio simulation tools and education materials
- enabling more sophisticated products to be sold online such as structured products
- investing in non-client facing tools that help relationship managers to complete their roles more effectively and efficiently

However, certain regulatory changes like implementation of product suitability regulations around complex products (enacted by the Securities and Futures Commission in July 2019) is compelling wealth managers to divert technology resources away from developments that enhance client experience to developments that ensure compliance.

These increased regulatory requirements are adding further complexity to client processes, making it more challenging to develop regulatory compliant digital services that also offer improved client experience.

Targeting younger generation likely to be another key growth enabler

With more wealth being transferred to the next generation via family succession, and new wealth being created by young entrepreneurs using technology, this client segment is likely to be a key growth driver for Hong Kong’s wealth management industry.

- According to KPMG’s Hong Kong Private Wealth Management Report 2020, wealth managers highlighted ‘holistic digital ecosystem/multi-channel delivery’, ‘self-service investment platforms’ and ‘instant messaging apps’ as the top three capabilities to attract the younger generation.
Rising competition in managing wealth offshore, with significant growth opportunities offered from mainland China

Leading destination for managing wealth offshore

Hong Kong is one of the most preferred places in the world for offshore wealth management. In 2018, total global offshore wealth stood at US$10.3 trillion, out of which Hong Kong accounted for about 7.7 percent (US$0.8 trillion).47

Supported by a deep pool of liquidity and robust financial infrastructure, Hong Kong has attracted various investors including family offices, bank subsidiaries and corporations to establish their private offshore trusts/companies in the city. The majority of the investors are from mainland China, Japan and Taiwan.

Significant growth opportunities with mainland China

Hong Kong’s status as the gateway between mainland China and the rest of the world is an important factor that enables it to benefit from wealthy mainland Chinese individuals looking to diversify and manage their wealth globally.

To maintain its status as a global wealth management centre, it is imperative for Hong Kong that it continues to capitalise on growth opportunities offered by mainland China.

• According to KPMG’s Hong Kong Private Wealth Management Report 2020, the majority of private wealth managers highlighted mainland China as the main growth engine for Hong Kong. They anticipate ~54 percent of Hong Kong’s wealth management AUM to come from mainland China by 2025.48

This is strengthened by several initiatives jointly taken by the Hong Kong and mainland Chinese authorities, such as Stock Connect programmes with both Shanghai and Shenzhen stock exchanges as well as Wealth Management Connect in the GBA that aims to foster cross-border financial services and transactions.

• Many wealth managers have started developing products and services that tap into this opportunity. According to KPMG’s 2019 report, ~64 percent of financial institutions already have, or are planning to develop, a GBA-specific strategy and operations.49

• Some of them are also addressing the opportunity either by hiring people from mainland China or by forming partnerships and collaborations between onshore and offshore platforms.

Competition from emerging Asian financial centres

Hong Kong has been experiencing a rise in competition from other Asian markets to replace it as the region’s leading financial hub. In 2019, the city reported a 48 percent dip in inward foreign direct investment (FDI), while Singapore witnessed an increase of 42 percent.50

Mainland China has also started positioning Shanghai and the Lingang New Area of Shanghai’s Free Trade Zone as an international financial hub, by introducing new policies in the zone to deepen the participation of foreign trade.
Government is strengthening Hong Kong’s position as a FinTech hub in Asia, with smart banking initiatives

In 2019, the HKSAR Government launched seven smart banking initiatives to embrace the enormous opportunities brought about by the convergence of banking and technology, thereby improving the quality of banking products and services for customers.

Key progress includes:

- Expanded the adoption of the Faster Payment System (FPS) that allows faster connectivity for payments and promotes competition among banking and non-banking service providers.
- Since the launch of the FPS, the number of participating service providers increased to 30 banks and 11 Stored Value Facilities (SVFs, including e-wallets and prepaid cards), with the addition of nine banks and one SVF, by the end of 2019\(^1\).
- Introduced FinTech Supervisory Sandbox 2.0 that lets banks and partnering FinTech firms to conduct pilot trials of their FinTech initiatives with a limited set of participating customers, without the need to achieve full compliance with the Hong Kong Monetary Authority’s (HKMA’s) supervisory requirements.
- Introduced a new Banking Made Easy initiative to reduce regulatory friction and improve customer experience in online Finance and wealth management.
  - The scope of the initiative has been expanded to include anti-money laundering (AML) surveillance technologies, RegTech for prudential risk management as well as studies on machine-readable regulations.
  - Initiated new modes of delivery of financial services by granting eight virtual bank licences, thereby facilitating financial innovation in banking, to enhance customer experience and promote financial inclusion.
- Developed an Open Application Programming Interface (API) Framework, that allows financial institutions to open up their internal IT systems and data for programmatic access by third-party service providers (TSPs), to improve financial services through collaboration between banks and tech firms.
- Stepped up for cross-border collaboration in FinTechs, and launched a blockchain-based trade finance platform named eTradeConnect that facilitates an open trade finance network based on cross-border distributed ledger technology (DLT).
- Enhanced FinTech research and talent development; carried out a study on the application of AI in the Hong Kong banking industry.
Providing regulatory relaxations and other measures to open up to global developments in Banking

**Relaxed taxation system**

- Hong Kong does not have any form of sales tax, such as goods and services tax, and value added tax.
- The city also does not have any gift tax, estate duty and capital gains tax, making it an attractive spot for investors, asset and fund managers to operate in the region.
- However, gains made from trading, such as buying and selling of shares or properties, may be considered as profits and, therefore, subjected to profits tax.

**Unregulated trustee services**

- Except for the requirement to apply for a service license, providers of trusteeship services are largely unregulated in Hong Kong, making it an attractive place for companies, particularly family offices, to set up independent trusts and use offshore jurisdictions.
- Moreover, there are no legal restrictions on the transfer of Hong Kong assets to trust entities, except the transfer of certain assets, such as shares in Hong Kong companies and immovable property, that are subjected to Hong Kong stamp duty.
**Expanded market connectivity with mainland China**

- Through the introduction of the Bond Connect scheme, Hong Kong provided a more convenient and flexible channel for international investors to trade in the mainland bond market using the market infrastructure and financial services in Hong Kong.
- In June 2020, the HKMA along with mainland China authorities announced a new cross-boundary Wealth Management Connect pilot scheme in the GBA, with the aim of providing access to the financial services of mainland Chinese banks in the GBA to Hong Kong residents and vice-versa.

**Developed Payment-versus-Payment (PvP), a settlement mechanism for FX transactions**

- In Hong Kong, six cross-currency PvP links have been established among the HK$, US$, EUR and RMB RTGS systems to improve settlement efficiency and eliminate settlement risk arising from time lags in settlements and time zone differences.

**Enhanced cyber resilience**

- In December 2016, the HKMA launched the Cyber Security Fortification Initiative that includes cyber resilience assessment and a cyber intelligence inter-bank sharing platform, aiming to improve the cyber resilience of authorised institutions, including major retail banks, and selected global banks.

**Continue to promote competition and develop private equity (PE) industry**

- The HKMA has been exploring ways to further enhance the competitiveness of Hong Kong’s financial sector, particularly in the development of Hong Kong as an international asset management hub and regional destination for Corporate Treasury Centres, green finance, and fund investment activities.
- To promote the further development of the PE industry in Hong Kong, the HKMA plans to continue to collaborate with the government and the industry to develop a more attractive competitive tax arrangement and to take forward the legislative proposal of the limited partnership regime that would encourage more investment funds and fund managers to set up and operate in Hong Kong.
Strong presence of large international banks, and growing competition from FinTechs

Highly competitive landscape, with strong presence of international institutions

Competition within Hong Kong’s Banking sector has always been fierce, with a strong presence of leading international banks — 71 of the world's 100 largest banks have a presence in the city. Also, within the wealth management and private banking segments, their presence drives high degree of competition.

The launch of virtual banking is likely to attract new players which will further intensify the competition.

With changing propositions and client needs, banks are increasingly evolving their business models by leveraging technologies and collaborating with FinTechs, for instance:

- DBS developed digiPortfolio, a hybrid human-robo solution, that enables customers to gain financial insights
- BoCHK collaborated with Magnum Research to develop a robo-advisory platform

Growing competition from WealthTech players

Hong Kong has witnessed a steep rise in the number of FinTechs operating in the wealth management space, driving transformation in the existing industry practices. Moreover, increased collaboration among the financial authorities and the FinTechs, and creation of FinTech-friendly policies is further intensifying the competitive environment.

WealthTech firms operating in Hong Kong offer a wide range of products which are easily accessible via smartphones. By leveraging algorithms, they provide customers with most suitable investment options based on their risk appetite and goals. Their objective is to narrow down the financial literacy divide and enhance overall customer experience, by utilising advance technologies for smarter services.

WealthTech firms, such as Aqumon and LU international are providing services focused mainly on the mass market segment, while emerging FinTech firms, such as Kristal.AI, focus on the upper middle-class segment.
Comparison of digital capabilities and offerings by leading players for HNW clients

In Hong Kong, both banks and platform-based wealth managers provide a wide range of digital capabilities to their customers. Most of the banks provide digitised trade execution and client interaction capabilities, whereas WealthTechs are well placed in providing robo-advisory services and portfolio recommendations utilising Big Data analytics.

<table>
<thead>
<tr>
<th>Digital capabilities</th>
<th>HSBC</th>
<th>SCB</th>
<th>BOCHK</th>
<th>JP Morgan</th>
<th>Citi</th>
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Source: KPMG analysis based on data from company websites and annual reports
Banks can focus on partnering with FinTechs and launching their own robo-advisory wealth solutions

**Recommendations**

Banks should focus on leveraging advanced data driven technologies such as Big Data analytics and AI for generating models to forecast future investment growth and to provide real-time analysis for different investments tailored to clients’ financial goals and risk tolerances.

They can plan to expand their service of trading equities for their clients across several international stock markets.

Banks can also develop partnerships with FinTechs in the wealth management space and leverage robo-advisory solutions to offer personalised financial advice to clients.

They should also focus on tailoring their propositions and digital channels to cater to the needs and expectations of the younger generation of clients.
Leading players and their digital wealth management offerings

Leading traditional banks

HSBC

Description
- Established in 1865, HSBC is the biggest incorporated bank in Hong Kong
- HSBC offers various digital capabilities to its customers in Hong Kong and continues to enhance them, for instance:
  - In September 2020, launched **HSBC VisionGo**, a B2B digital community platform for SMEs, start-ups and prospective entrepreneurs, to support the banking needs of Hong Kong business community
  - Provides **HSBC Smart Solutions**, a digital platform for businesses designed to help to automate routine tasks, streamline workflow and access timely data for better insights

Digital offerings in wealth management and private banking or for affluent clients
- Provides **HSBC Easy Invest** app, that allows users to trade securities and access market information including real-time quotes, news and market data across stock markets of Hong Kong, mainland China and the US; also allows to subscribe for Stock IPO and option to view charts
- Launched **FlexInvest**, a low-fee and easy-to-understand service that allow users to start investing in funds with just HK$100
- Provides an **online financial checkup tool**, that enable customers to access their financial situation, plan and achieve financial goals
- Provides **Wealth Portfolio Intelligence Service**, that allows customers to effectively adjust their investment strategies and control risk with the help of financial advisers

Standard Chartered Bank (SCB)

Description
- Incorporated in 2004; one of the three note-issuing banks in the region
- **Hong Kong SCB Private Banking** - one of the six leading centres; 50,000 new Priority clients in FY19
- Continued making advancements in digitisation
  - In September 2020, launched a virtual bank ‘**Mox**’ in Hong Kong
  - Collaborated with the University of Hong Kong to launch a ‘FinTech Academy’

Digital offerings in wealth management and private banking or for affluent clients
- Launched real-time client on-boarding on digital channels
- Refreshed wealth and FX platforms with full mobile access, Hong Kong transactions increased 15.0 percent year-on-year
- Launched ‘**My RM**’ function which allows clients to interact with their relationship managers and gives them access to the latest market information, supports text chatting, document sharing and audio calls
- Provides ‘**SC Mobile**’ platform with several embedded capabilities including
  - Customer Investment Profile: To create risk profile
  - Mutual Fund: To execute Unit Trust order, review portfolio returns and compare fund performance
  - Equities: To view major market indices, maintain stocks watch list, and buy and sell Hong Kong stocks
  - Foreign currency trading: 24/7 trading platform with real time FX rates
Leading players and their digital wealth management offerings

Leading traditional banks

Bank of China (Hong Kong)

Description

• Incorporated in 2001, has 190 branches, 280 automated banking centres, over 1,000 self-service machines, and e-channels
• First bank in Hong Kong to connect via API to eTradeConnect, a blockchain-based trade finance platform facilitated by the HKMA
• First bank to launch a pilot mainland personal account opening attestation service for Hong Kong residents, facilitating the linking of mobile apps in mainland China for digital payment
• Formed a joint venture with JD Digits and Jardine Matheson to establish a virtual bank — Livi VB Limited

Digital offerings in wealth management and private banking or for affluent clients

• Provides a wide array of investment services through internet banking, including securities trading, monthly stocks savings, fund trading, bond trading and precious Metals / FX margin trading, notional precious metals trading, investment deposit, structured investments, debt securities and eIPO application
  • Launched ‘BOC Remittance Plus’ a dual-direction remittance service that facilitates cross-border fund transfer
  • Also, provides Interactive 24/7 online chat service
• Provides a mobile platform that facilitates trading, provides stock screener, free-of-charge Price alerts; supports corporate action and IPO subscription
• Partnered with Hong Kong-based Magnum Research to provide robo-advisory services
• Partnered with Schroder Investment Management to launch ‘Asset Allocation Reference Portfolio’ facilitating customers to diversify risk and achieve long-term investment goals

JP Morgan

Description

• Operational in Hong Kong for about 90 years
• Provides several digital platforms to assist its clients across the spectrum of services
  • JP Morgan Access® Mobile allows clients to view account information
  • Chase Mobile® app allows users to access their accounts, schedule/approve payments, add/entitle users.
  • JP Morgan’s eXecute is a FX and commodities trading app for institutional clients

Digital offerings in wealth management and private banking or for affluent clients

• For private bank clients, created a dedicated mobile app which allows access to real-time financial position and performance of the portfolio, account management, investment insights and analysis
• Launched a robo-advisory investing service called You Invest Portfolios; assists users to invest into a portfolio made up of the bank’s ETFs
• Offers several other platforms for wealth management clients, including
  • JP Morgan Markets; gives clients access to research and analytics, and real-time market updates
  • DataQuery allows retrieving, analysing and charting historical data
Leading players and their digital wealth management offerings

Leading traditional banks

Citi

Description
• Operational in Hong Kong since 1902 and serves more than one million clients
• Continued to introduce digital services, including Citi Accelerate Savings®, a digital high-yield savings account, and Citi Elevate®SM Checking, a digital high-yield checking account
• Digital deposit sales reached US$6 billion in 2019
• Announced plans to explore providing checking accounts to consumers through Google Pay in 2020
• Continued to enhance wealth management capabilities by investing in offerings and digital tools to meet a wider spectrum of customer needs
  • Through Citi Priority, it serves the needs of emerging affluent clients. With Citigold and Citigold Private Client, it provides institutional-grade, personalised wealth management services

Digital offerings in wealth management and private banking or for affluent clients
• Provides Citi Mobile® app that offers a wide range of capabilities to customers including trading in Hong Kong stocks, foreign exchange order watching services and provides insights into market opportunities and investment decisions. It has also embedded several new features to enhance overall experience such as:
  • Citi® Portfolio Selection: Allows customers to build a portfolio with expert advice, review returns and trade funds 24/7
  • Move Money to Citi: Facilitates real-time money transfer from accounts at other banks to Citi to support increased client need for wealth management
  • Citi Live Chat: Enables the bank’s relationship managers to interact with their Private Banking and Citigold Clients, without needing third-party platforms
  • Launched robo-advisory (Robo 360), co-developed with FinTech firm Quantifeed; can be accessed using mobile banking app and enables investors to access portfolios, constructed with up to eight funds by leveraging smart analytics and quantitative research capabilities

DBS

Description
• Leading financial services group in Asia with a presence in 18 markets; recognised as the ‘best bank’ by Euromoney, The Banker and Global Finance
• Continued to build on its digital capabilities
  • Launched DBS Home360, the first banking mortgage app in Hong Kong to leverage the power of virtual reality
  • Launched a digital financial planning tool, which has about 1.8 million customers and 300,000 active monthly users as at FY19.
  • Also launched DBS MAX, an instant payment collection solution for merchants

Digital offerings in wealth management and private banking or for affluent clients
• Provides a dedicated platform to wealth management clients, DBS iWealth®, which allows users to trade equities across seven international stock markets and 14 currencies 24/7, to monitor banking, trading and wealth portfolios; also provides users with research and insights, and price alerts relevant to one’s investment portfolio
• Launched the first fully virtual wealth management account opening solution; leverages advanced technologies, including instant identity verification, biometric recognition, and state-of-the-art digital security
  • Allows customers to set up a multicurrency savings and wealth management account completely online
• Launched DBS digiPortfolio, hybrid human-robo solution, enabling consumer banking customers to gain financial expertise and investment opportunities usually limited to wealth clients
Leading players and their digital wealth management offerings

Leading traditional banks

Bank of East Asia (BEA)

Description

- Incorporated in 1918; a leading Hong Kong based financial services group.
- Digital customer penetration reached 50 percent and about 80 percent of financial transactions are made via automated channels.
- In January 2020, established a Digital and Innovation Office to enhance data analytics capabilities, strengthen insights into customer behaviour, and build FinTech solutions.
- Refreshed its official BEA app, following which its users grew by about 37 percent.

Digital offerings in wealth management and private banking or for affluent clients

- Continued development of a more personalised, comprehensive and user-friendly digital platform to enhance interaction with high-net-worth clients.
- Added a client version of portfolio management application to BEA App.
- Widened the range of wealth product offerings via mobile app such as unit trusts, linked deposits and short-term life insurance.
- **BEA Securities app** provides trading and investments services with real-time market streaming charts.
Leading players and their digital wealth management offerings

Leading wealth management platforms

**Aqumon**
- AQUUMON, an algorithm-driven investment platform developed by Magnum Research, provides automated, algorithm-based and customised global asset allocation services through cloud computing technology and aims to bring a revolutionary change in the investment approach
- Targets to provide affordable access to proper wealth management capabilities to about seven million middle class people residing in Hong Kong
- Partnered with about 60 financial institutional, including China AMC, BOCI and CMB Wing Lung Bank
- Completed A round of funding and raised about US$11 million from several investors including Hong Kong University of Science and Technology, Alibaba Entrepreneurs Fund and Bank of China International affiliate

**Kristal.AI**
- Online investment platform that focuses on providing personalised products and advice to its clients; functions on a hybrid model that leverages advanced algorithms and investment professionals’ strategies to assist users to invest in a variety of financial products (private equity, pre-IPO deals, VC funds & other investments including bitcoin, gold, hedge funds, etc.) and select the investment portfolio that suits their return-risk preference
- Gained a significant market-share in Hong Kong and Singapore, as well as in a few Indian states, focused on scaling geographically in other Asia Pacific regions with differentiated offerings
- Raised US$11 million funding in Series A round, with about US$6 million funding raised from Chiratae Ventures (formerly IDG Ventures India), and Desai Family Office

**LU International (Hong Kong)**
- Subsidiary of Lufax Holding and backed by Ping An Insurance Group, has launched LU HK mobile application, its second overseas venture after Singapore
- Collaborated with leading global asset managers, offers wide range of HK$-based mutual fund products on the application across major markets and asset classes; also has embedded a feature that provides users with latest market updates and investment opinions
- Allows customers to open accounts online within three minutes with clear instructions from online AI-enabled customer services; leverages a variety of financial technologies to make the entire investment process personalised and secure, including investment preference questionnaires to determine risk appetite and Big Data analysis for making fund recommendations
One of the biggest internet markets, seeing a large-scale shift to digital payments and mobile banking

Large and growing mobile and internet population

Although the internet penetration rate in mainland China is lower than several key European markets, its total number is significantly higher and continues to rise. With rapid urbanisation and a high rate of mobile phone penetration, the market is experiencing a strong growth in the adoption of online and mobile banking services.

78% Mainland Chinese customers use mobile banking* to interact with their banks53
59% Internet penetration in mainland China, with a total of 854.5 million internet users54
>99% of internet users surf the internet via mobile phones55

Note(s): *Latest data available for 2018
Shift to online payments and digital wallets

The robust growth of smartphone adoption in mainland China has created ample opportunities for the digital payments system to develop at a rapid pace. Taking advantage of this, mainland China has been able to completely transform its payments landscape, with digital wallets and QR codes quickly replacing the card-based system.

Total transaction value in digital payments projected by 2020 — the highest transaction value across all markets

$231T

Mobile point of sale payments projected by 2020

$11T

Tech firms dominating the payments landscape

This transformation has seen the rise of two major digital payment platforms, Alipay and WeChat Pay, subsidiaries of two of mainland China’s largest Technology firms, Alibaba and Tencent, respectively.

- Both the platforms have a substantially large base of active users, with Alipay reaching 1.2 billion monthly users in 2019 while WeChat Pay surpassed the one billion user mark.

92% of all mobile payments are made over two platforms — Alipay (53%) and WeChat Pay (39%)

90% of people in mainland China’s largest cities use WeChat Pay and Alipay as their primary payment method, followed by cash and debit/credit cards

As a result of their dominance, banks have gradually been sidelined in the payments space and a majority of their share of being the intermediary for payments has been acquired by these large technology players.
Growing upper middle-class population driving the demand for online wealth management products

Home to a large and growing HNW population

Mainland China recently replaced Japan to become the market with the second largest number of HNWIs, accounting for more than a third of all millionaires in Asia Pacific. It is expected to give rise to a significantly higher number of HNWIs in the coming five years.

People with net worth over US$1 million (including their primary residence), the largest HNW population in Asia Pacific

Growth expected in mainland China’s HNWIs during 2019–24 to reach 11.6 million

However, although mainland China is creating a large number of HNWIs every year, it is also witnessing a lot of wealth migration, as these millionaires move away to developed English-speaking democratic markets with better education and healthcare systems as well as due to insecurities from the current totalitarian government.

Mainland Chinese HNWIs migrated to other markets in 2018, the largest HNWI migration from any market

Affluent middle class driving the demand for online wealth management products

Mainland China has a large and growing middle-and upper middle-class population, which currently represents more than half of the market’s online wealth management clients. With rapid urbanisation in recent years, more than 60% of mainland China’s population now lives in urban areas. As per a report published by Marco Polo, mainland China’s middle-class population is expected to reach 850 million by 2025.

Mainland China affluent population growth (in millions), 2016–20

In the past, providing services to these customers with traditional, non-digital methods was very costly. However, with technology advancements and availability of smart channels that offer personalised services in a cost-effective way, the demand for online wealth management products is growing. This expansion of the middle class is further expected to bring significant opportunities for digital wealth managers.

Rise in investing activity from youngsters

There has been an increase in investing activity from a greater number of younger clients using smartphones.

- According to a recent survey, in 2018, 36.5 percent of retail mutual fund investors in mainland China were less than 30 years old, of which 71 percent used mobile devices as their main investment tool.
Traditional banks, FinTech players and tech giants are accelerating the adoption of WealthTech

Growth in online wealth management platforms, products and services

Home to a large affluent population with high online banking adoption, mainland China has seen a rapid growth in internet financing platforms as well as in the use of smart technologies by traditional financial institutions.

Digital wealth management offerings, including robo-advisory services and funds distribution through mobile devices, continue to penetrate the market.

The growth in mainland China’s digital wealth management market can be attributed to the low cost and convenient access to a wide variety of high-yield fixed-income products offered by the emerging online wealth management platforms.

Also, digital payment service providers are bolstering their position in mainland China’s wealth management space with the focus on expanding into the mass market, for instance:

- WeChat Pay offers its own wealth management platform and recently launched a money market fund that allow users to earn interest from their WeChat Pay balance.

Increased adoption of technology by traditional players to improve customer experience

Leading traditional players in mainland China are actively investing in advanced technologies such as AI, machine learning and Big Data to transform their entire wealth management value chain for higher efficiency and to provide improved customer experience that is superior to what legacy models offer.

- Lufax, Ping An’s wealth management platform, uses Big Data, machine learning and data-driven technologies to analyse investors’ profiles and risk appetites to offer tailored products.

- CMB offers Machine Gene Investment, a Big Data-based mobile robo-advisory that combines the experience of financial advisors with machine-learning algorithms.

Big Data enables robust risk management and smarter asset allocation

Digital wealth managers are using Big Data analytics to provide low-cost solutions that are free from any bias present in the traditional practices. These new solutions use smart technologies to match the evolving needs of clients as well as to improve capabilities across the investment cycle (including risk monitoring, contingency planning and ensuring compliance).

Adoption of Big Data is also helping wealth managers to improve several other key stages in the value chain such as client acquisition, investment planning and portfolio management.

OneConnect — a subsidiary of Ping An and a technology-as-a-service platform for financial institutions — provides wealth managers a complete portfolio management solution that covers all aspects of the wealth management value chain, including market information, trading, valuation, portfolio and risk management.

COVID-19 further accelerates digital adoption in mainland China

With increased reliance on the internet by clients isolated at home to make investment decisions, COVID-19 has accelerated the digital disruption in mainland China and is likely to have a long-term impact on wealth management.

It has acted as a catalyst to the growth of digital channels, leading to a rise in the number of third-party online platforms and traditional banks enhancing their digital competencies.

- Several banks have now started providing their complete range of services to customers remotely.

- 50+ asset managers and investment firms have built wealth accounts on the Ant Fortune app (the wealth management platform of Ant Financial).
Government bringing strong policies to tighten control over FS practices in mainland China

In the recent years, mainland Chinese regulators have been strengthening their oversight of over the FS industry, with new regulations related to risky wealth management products, online lending, data privacy as well as outbound investments. Compliance for these is expected to result in higher costs for the banks and wealth managers as well as require higher focus and effort.

New asset management rules
In 2018, mainland China announced new asset management rules seeking to curb shadow banking in the market, a core part of which are wealth management products (WMPs). The new rules remove implicit guarantees offered by the lenders on these WMPs, set stricter investment norms and standardise the management of fund pools.

- However, these rules have been pushed back by a year to help financial institutions transition amid the COVID-19 pandemic and are expected to conclude by the end of 2021.
- Moreover, the rules are pushing lenders in mainland China towards establishing their own wealth management subsidiaries, as these subsidiaries are allowed to invest directly in stocks, thereby increasing the volume of new funds into the stock market.

New online lending rules
In June 2020, mainland China’s Banking and Insurance Regulatory Commission announced new online lending rules to reduce regulatory risk concerns resulting from third-party cooperation. The new rules include:

- stricter qualification, risk and data protection requirements from third parties
- increased information disclosures to borrowers
- restrictions on use of online loan funds for investment in property, stocks, bonds, futures, derivatives, etc.

Cybersecurity and personal data protection
In March 2020, mainland Chinese regulators published a new set of Personal Information (PI) Security Specifications to strengthen data privacy protection in the market.

The specifications cover a wide range of data issues and include guidelines that focus on user’s consent on data sharing, data use limitations, user’s right to correct data and request for data removal.

Tightened regulations on FinTechs
Since 2017, regulators have been tightening control on different aspects of FinTechs, including:

- limiting asset-backed securitisation
- creating a central payment clearing system, NetUnion
- restraining the use of proprietary credit scores
- requiring third-party payment services (e.g., Alipay) to deposit 100 percent client reserve funds with the People’s Bank of China

Outbound investments
Mainland Chinese authorities have been strengthening their control over outbound investments to protect mainland China’s forex reserves (dropping since 2014) and RMB devaluation, and to curb money laundering by domestic enterprises.

In 2016, People’s Bank of China announced enhanced supervision over foreign exchanges and cross-border RMB payments. In 2018, it enhanced its supervision on outbound investment projects worth US$300+ million or those in ‘sensitive markets or industries’.

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Mainland China
Initiatives to support digital banking and cross-border wealth management

As part of its plans to open up the FS industry, the mainland Chinese government has introduced new rules supporting digital banking licences, relaxations on cross-border investments as well as the initiative to facilitate smoother investing activity in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), with a strong focus on attracting foreign investors as well as FS players into the market.

Step towards digital-only banking licences

In January 2020, mainland China announced it is finalising its first rules to cover online-only banking operations in the market, in a push to attract foreign players including existing foreign lenders — HSBC, Citi and SCB — and empower them to establish independent online banks.

- Since 2014, mainland China has licensed only four digital-only banks — WeBank (backed by Tencent); MYbank (Alibaba); AiBank (Baidu); and China Citic Bank.71

New forex rules to ease cross-border transactions

In October 2019, mainland China’s State Administration of Foreign Exchange introduced 12 new measures to relax controls on cross-border transaction and investment requirements, aiming to provide a better environment for domestic businesses and overseas investors.

Some of the key measures include:

- Offering more flexibility to foreign investors by removing restrictions on domestic equity investment of capital fund of foreign investment enterprises
- Relaxing document requirements before forex settlement, to reduce processing time of the transactions between domestic firms and foreign investors
- Expanding the pilot scheme to six free trade zones (FTZs), raising mainland China’s FTZs from 12 to 18, as well as the entire Shanghai jurisdiction
- Extending domestic credit assets transfer to foreign investors, allowing them to carry out cross-border transfers of mainland China’s non-performing assets using foreign capital
**Wealth Management Connect to facilitate capital flow in the GBA**

In June 2020, mainland China, Hong Kong and Macau jointly introduced the cross-boundary Wealth Management Connect pilot scheme in the GBA, allowing its residents to invest in wealth management products (WMPs) distributed by banks in the region.

The scheme aims to facilitate the flow of capital in the GBA, which is home to ~480,000 HNWIs, offering an expanded investor base to financial institutions. It will also provide investors with greater product diversity and asset allocation options.

The cross-boundary remittance will be carried out in RMB, allowing investors from mainland Chinese cities in the GBA to directly use RMB to invest in WMPs offered by banks in Hong Kong and Macao, and vice versa.

Wealth Management Connect is expected to attract more foreign players to set up or expand their presence in the GBA and spur competition in the region. This will drive greater product innovation and raise the bar of product design, service quality, and risk management.
Mainland Chinese banks lead the wealth management space

Mainland China dominates the global Banking industry, with its Big Four banks — ICBC, CCB, Agricultural Bank of China and BoC — holding top positions and US$14.8 trillion in Banking assets. These banks, along with other large domestic players, also dominate the wealth management and private banking segments in the market. They have a strong focus on digitalisation as well as collaborating with technology firms in this domain.

- Using AI and machine learning, offering robo-advisory services and creating interactive programmes that give personalised financial advice are some of the common developments in this segment.

As a result, domestic banks are placed further ahead of their foreign peers when it comes to providing digital wealth management services to customers.

However, with the opening up of mainland China’s FS sector, foreign wealth managers are also entering the market.

In December 2019, the first foreign majority-owned wealth management firm was approved in mainland China, paving the way for more foreign players in the future.

Growing competition from tech players

Large technology firms and FinTech players have also been entering the market and transforming existing wealth management practices.

Mainland China has established itself as a leader in the WealthTech space, with a larger number of WealthTech firms operating in the market and offering access to a wide range of products that are highly tailored and seamlessly integrated onto smartphones. Their focus is on customer experience, combined with the utilisation of Big Data for smarter services.

Large technology firms, such as Ant Financial and Tencent, are providing services focused mainly on the mass market segment, while emerging FinTech firms, such as Lufax, focus on the upper middle-class segment.
Comparison of digital capabilities and offerings by leading players for HNW clients

In mainland China, banks and platform-based wealth managers offer various digital capabilities. Traditional banks are well positioned to provide digitised trade execution capabilities. However, in terms of delivering personalised portfolio recommendations, WealthTechs are further ahead of traditional banks, as a majority of them provide investment recommendations based on investors’ risk appetite.

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<th>Digital capabilities</th>
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Leading traditional banks: Blue
Leading wealth managers: Green
Leading wealth management platforms: Purple

Source: KPMG analysis based on data from company websites and annual reports
Banks must aim to grow market share by developing innovative offerings and FinTech partnerships

Recommendations

Banks should continue to invest in technology and wealth capabilities by launching new digital products and services that target mass affluent and HNW clients in the market.

They can collaborate with emerging FinTechs in the wealth space and provide dedicated wealth management platforms powered by robo-advisory to offer personalized financial advice to their clients.

Banks should also focus on strengthening their presence and offerings in the GBA with increased access to the region’s wealthier population with the progress of the new Wealth Management Connect pilot scheme.
## Leading players and their digital wealth management offerings

### Leading traditional banks

#### Bank of China (BOC)

**Description**
- One of the four largest banks (by assets) in mainland China, with strong focus on adopting new technologies such as 5G, Internet of Things, blockchain and virtual reality
- ~181 million of the bank’s customers use ‘BOC Mobile’ that uses Version 6.0 of mobile banking
- Its subsidiary BOC wealth management formed the first asset management (AM) JV with Amundi, a European AM company
- Launched the “Cross-border Wallet” payment service for Macau residents

**Digital offerings in wealth management and private banking or for affluent clients**
- Through BOC’s web platform and mobile application, customers can avail various investment services including securities trading, monthly stocks savings, fund trading, bond trading and precious metals / FX margin trading
- Constructed a market-wide product selection platform to enhance its asset allocation capacity
- Launched “Greater Bay Area Service Connect” service to provide mutual service access to wealth management customers
- Intensified FinTech application and developed featured intelligent automatic investment strategies in order to improve its integrated and intelligent investment product sales capabilities
- Introduced BOC Robot Advisor programme, an intelligent service portfolio, which recorded a transaction volume of RMB12.3 billion and attracted over 100,000 customers

#### China Merchants Bank (CMB)

**Description**
- One of the leading commercial banks in mainland China
- ~114 million of the bank’s customers use CMB App who undertook wealth management transactions amounting to RMB7.87 trillion in FY19, accounting for 71.52 percent of the bank’s total wealth management transactions
- Developed intelligent risk control platform known as the “Libra System”, that enables counterfeit detection and interception of telecom frauds
- Intercepted 80,000 telecom fraud transactions of ~ RMB1.8 billion till now, providing strong protection of the customers’ capital

**Digital offerings in wealth management and private banking or for affluent clients**
- Offers Machine Gene Investment, a Big Data-based mobile robo-advisory service that combines the strengths and experience of human financial advisors with machine-learning algorithms to provide services to the clients
  - Optimises ‘intelligent portfolio allocation services (PAS)’ based on the mutual funds and global asset allocation, and provides real-time calculation of investment portfolios
- Bank’s internet banking system allow users to perform investment operations such as purchases, subscriptions
- Provides Risk Tolerance Assessment system, that analyses investors risk appetite and recommends investment products
- Also provides surplus fund investment service, via its e-banking platform
Leading players and their digital wealth management offerings

Leading traditional banks

**Industrial and Commercial Bank of China Ltd. (ICBC)**

**Description**
- World’s largest bank in terms of assets
- ~361 million of the bank’s customers use ‘ICBC Mobile’ that uses Version 5.0 of mobile banking
- Launched cross-border bill payment service, and rolled out financial ecosphere cloud services, that provide services such as personnel information management, bill management and fund settlement

**Digital offerings in wealth management and private banking or for affluent clients**
- ICBC mobile banking application and WeChat banking, allow customers to buy, redeem, cancel financial products, as well as view the products held and access transaction details
- Also facilitates trade in precious metals and currency
- Provides ICBC Smart Invest App that allows securities trading in Hong Kong stocks, Shanghai stocks, US stocks and IPOs
- Launched *robo-advisory* service for wealth management products
- Partnered with Pintec to leverage its technical capabilities in Big Data, AI, and robotic process automation (RPA) for digital banking and wealth management

**China Construction Bank (CCB)**

**Description**
- One of the four largest banks (by assets) in mainland China with ~351 million of customers that use mobile banking
- Launched BCTrade2.0 — a new platform that leverages blockchain technology to provide better financial services to mainland Chinese exporters — under its subsidiary Jianxin Financial Services
- Launched a wholly owned wealth management subsidiary CCB Wealth Management

**Digital offerings in wealth management and private banking or for affluent clients**
- Offers mobile version of ‘CCB e-private banking’
- Launched its ‘FITs e+’ investor alliance platform
- ‘Long Fortune’, a FinTech-based wealth management service platform designed to deliver asset structuring, AI-assisted investment advisory, retail loans, liquidity management and AI-assisted insurance advisory services
- Offers FX trading and securities services through its online banking platform
## Leading players and their digital wealth management offerings

### Leading traditional banks

#### HSBC

**Description**
- HSBC in mainland China was incorporated in April 2007, is one of the largest investors among foreign banks
- Offers mobile banking, online banking, WeChat service account and telephone banking services to its customers
- Planning to hire about three thousand wealth planners in mainland China
- In April 2020, launched digital account opening service, first among foreign banks to launch such service

**Digital offerings in wealth management and private banking or for affluent clients**
- Provides online and mobile application-based wealth management platform that enables users to know their financial health, supports dual currency mobile trading, mutual fund trading, structured products and view/update risk profile.
- Provides an **online financial checkup tool**, that enables customers to access their financial situation, plan and achieve financial goals
- Has a dedicated web-based channel — **Wealth Insights**, that provides industry-wide research and expert opinions
- Has announced it will launch mobile-based wealth advisory service, and hire about 100 team members for the same

#### Standard Chartered Bank (SCB)

**Description**
- One of the oldest and largest foreign banks in mainland China
- Offers mobile banking, online banking, video banking and SMS banking services to its customers
- Introduced new Online Banking functions including FX Service, Global Link Service, Fixed Deposit/Call Deposit 2.0 Application Service
- Priority Private offers a suite of personalised wealth solutions with exclusive privileges to affluent clients
- Introduced Premium Banking service to serve emerging affluent clients
- Launched Straight2Bank onboarding portal for digital account opening
- Plans to set up a brokerage firm in mainland China

**Digital offerings in wealth management and private banking or for affluent clients**
- Strengthened its FX electronic trading capability through membership with China Foreign Exchange Trade System (CFETS), an inter-bank foreign exchange trading service portal in mainland China
- Allows online purchase of market linked financial products
- Client investment profile helps users to better understand their investment objectives and update their risk profile
Leading players and their digital wealth management offerings

Leading wealth managers

Noah Holdings Ltd.

Description

- A leading wealth and asset management service provider in mainland China
- Its core client application ‘Wei Nuo Ya’ (“micro Noah”) — an effective community management portal and investor education tool — provides personalised industry news and research, live broadcasts on expert discussions and product roadshows
- Plans to leverage robo-advisory and Big Data in wealth management

Digital offerings in wealth management and private banking or for affluent clients

- Built a global ‘Gopher’ platform to identify and source non RMB-denominated financial products for onshore and offshore mainland Chinese high net worth clients
- Launched an online mutual fund transaction platform, ‘Fund Smile’ (former Cai Fu Pai) that serves mass affluent individuals in mainland China
- Developed a new online financial advisory platform called ‘Pilot Whale’ that aims to connect investors to financial experts including licensed relationship managers and provide independent and professional paid services
- Leverage multiple online channels including social networks such as WeChat, dedicated mobile applications and web-based services to promote better engagement of wealth managers and clients
Leading players and their digital wealth management offerings

Leading wealth management platforms

**CreditEase Wealth Management**
- Wealth management arm of CreditEase, which focuses on providing comprehensive global asset allocation services to HNWIs and mass affluent mainland Chinese investors
- Uses an online-offline model and has ~2,000 relationship managers throughout the market, who provide personalised service
- Mass-market option uses an online platform, where users select from a range of standardised investment options, asset allocation models and portfolio risk controls
- Offers a wide range of services such as investment immigration and international education advisory, and products across different asset classes including fixed income, private equity, capital markets, real estate and insurance
- Toumi RA (robo-advisory provider) tracks stock, bond and real estate market indexes globally to optimise cross-border and multi-class asset allocation for global ETF portfolios and therefore bring investors higher risk tolerance and stable yield regardless of individual market or political turbulence.

**Jinfuzi**
- An online investment platform that allows users to invest in a variety of financial products (private equity, trust, foreign funds etc.) through the internet and also aims to help investors to select the investment portfolio that suits their return-risk preference
- In April 2019, Jinfuzi raised US$25.6 million in a series-D round of financing led by the market’s private equity firm Loyal Valley Capital

**Ant Fortune**
- An online wealth management platform and an affiliate of Ant Group — world’s highest-valued FinTech that offers several services including e-wallet, online lending and investment fund — that collaborates with financial institutions, such as fund management and insurance companies and leverages its AI-powered capability to offer tailor-made wealth management services
- In 2018, Ant Group launched a money market fund — Yu’E Bao, allowing customers to park cash in their Alipay accounts into liquid assets, the fund grew to became one of the largest money market funds in the world in 2019
- Platform’s algorithm recommends funds based on each user’s risk appetite, goals and investment horizon, thereby reducing the financial literacy divide that acts as an investment barrier for many individuals

**Lufax Holdings**
- One of mainland China’s largest online wealth management platforms backed by Ping An Insurance Group, that provides almost 7,800 diverse products and customised services, that includes risk management, financial assets trading information and related consulting services, to ~12.5 million middle-class investors through the platform LU.com
- Deployed algorithmic sensors at key stages, such as account opening, product purchasing, and links bank cards with accounts
- Established a content community, and recommends customised information and advice based on investment experience, transaction habits, and the risk preferences of users; dynamically adjusts content according to the browsing history of each user

**Mainland China**
Second-largest internet market, with large-scale shift to digital payments and mobile banking

Large and growing mobile and internet population

India is the second largest online market in the world, ranked only behind mainland China. Though the internet and smartphone penetration rates are lower than several leading countries, their absolute volumes are significantly higher and continue to grow rapidly. Moreover, availability of inexpensive internet data, better 4G accessibility and government initiatives are accelerating India’s pace to become more connected and digitised.

50%

Internet penetration recorded in January 2020, with a total of 687.6 million internet users

>97% of internet users access internet via mobile phones

32%

Smartphone penetration in India, with smartphone users projected to reach 760 million by 2021
Robust growth in digital payment space

The increasing availability of smartphones in the market, growing adoption of digital channels and government’s financial inclusion efforts have created vast room for the digital payments system to grow at a rapid pace. Taking advantage of this, India has been able to bring significant advancement in its payments landscape.

Total transaction value in digital payments projected by 2020 — expected to grow at CAGR of 16.7% between 2020–24.

Mobile point of sale payments projected by 2020

- Digital payments in India are expected to reach US$135.2 billion in 2023 and will account for about 2.2 percent of the world’s digital payments market. This will be further boosted by the adoption of digital payment channels due to COVID-19.

Unified Payments Interface (UPI) making wallets obsolete

Since being launched in 2016, UPI (an instant real-time payment system developed by National Payments Corporation of India facilitating inter-bank transactions), has witnessed a steep rise in adoption as it links the payment platform directly with the customer’s bank account, enabling direct account-to-account transfers. It also removes the need to store money in wallets, allowing for interest to be earned.

This has led to more wallet operators to adopt UPI as a payment method. Moreover, in 2019 UPI surpassed debit and credit cards as a preferred payment method and accounted for about 38 percent of all digital transactions.

- Leading wallet operators, such as PhonePe and Paytm, have started running a hybrid model by adding UPI payment feature to their e-wallet apps.

Moreover, the shift toward UPI has given banks an access to low-cost retail deposits, which would not have been possible with money being stored in wallets.

UPI transactions were recorded in 2019, projected to grow at CAGR of 287% to reach 59.8 billion by 2023.

Market share in India’s UPI ecosystem is controlled by three operators — PhonePe, Google Pay and Paytm.

In terms of transactions, PhonePe is the India’s leading UPI service provider, followed by Google Pay and Paytm. Apart from them, some of the Indian banks such as SBI, ICICI, HDFC and Axis Bank also provide UPI payment service platforms.

Total business users (in millions)

Source: Company disclosures; Reserve Bank of India, S&P Global Market Intelligence analysis
Growing UHNW population driving the demand for wealth management products

Home of growing UHNW population

According to the Knight Frank Wealth Report 2020, India is ranked 12th globally in terms of UHNWI population, with 5,986 individuals in the category. The number is expected to grow to 10,354 individuals in the next five years.

- India’s HNWI population is expected to grow to 0.5 million by 2024 from 0.3 million in 2019.
- Meanwhile, the number of billionaires is projected to increase to 113 by 2024, from 104 in 2019.

Evolving wealth management and lending landscape

India’s wealth management industry is in its formative stage of digitisation, with multiple new age solutions being launched by various players.

FinTech firms are disrupting the industry by providing access to tailored advice, non-traditional investment and advanced engagement solutions. Also, some are offering wealth management services on a subscription-based model.

To keep up with emerging players, traditional firms are focusing on leveraging technologies to improve client experience and streamline processes.

- IDFC introduced a portfolio management system that leverages AI and Big Data to identify investment opportunities.
- ICICI and DSP have come up with a draft offer for their quant-based mutual fund schemes that follows a data-driven approach for stock selection, through which the model automatically selects stocks with limited human intervention.
- ICICI Bank launched ‘Money Coach’, an algorithm-driven investment advisory application that enhances overall customer experience, from enrolment into a mutual fund to actual investment and liquidation.

Also, firms like Edelweiss and IIFL have introduced subscription-based wealth management platforms.

India’s lending landscape is undergoing a substantial change as digital lenders are getting significant traction, that is well supported by a large and growing mobile and internet population.

- In 2018, digital lending in the market stood at about US$75 billion, which is expected to reach US$350 billion by 2023.
- According to MEDICI, in 2019 there were ~338 digital lending platforms operating in the market which is expected to grow further. Also, few of the leading tech companies such as Amazon and Google have been taking initiatives to enter into the lending space.
Booming FinTech sector supported by increased digitisation and emerging banking models

India’s booming FinTech sector

According to a MEDICI report, India has emerged as the world’s second-largest FinTech hub, only behind the US.95

- In 2019, investments in India’s FinTech space have doubled as compared with 2018.96

% Breakdown of FinTech firms, by sub-sector (August 2020)97

![Graph showing the distribution of FinTech firms by sub-sector]

- Payments: 34%
- Lending: 19%
- WealthTech: 17%
- Personal Finance: 14%
- InsurTech: 8%
- RegTech: 5%
- Others: 3%

Source: KPMG analysis based on data from MEDICI

Growth in FinTech funding is majorly attributed to India’s large consumer base, high FinTech adoption rate and accelerating digitisation.

COVID-19 has in fact fast tracked the digital economy and significant investments are being made by established banks … which can also lead to acquisition and more investments from investors.

— Sanjay Doshi, Partner, KPMG India

Growth in WealthTech players and robo-advisory platforms

India has been witnessing a steady rise in the number of WealthTech players, with ~313 platforms operating in the market, as of 2019.98 In 1H20, the FinTech sub-segment has witnessed an inflow of about US$213 million and is ranked 3rd in terms of number of operators, only behind payments and lending.99

- The segment mainly consists of robo-advisory platforms, personal finance management platforms, micro investment management platforms and digital investment platforms.

As of 2019, the AUM of the robo-advisors stood at US$42 million, which is further expected to grow at CAGR of 36.2 percent to reach US$145 million by 2023.100

Growth in the WealthTech space is attributed to their low-cost technology-driven operation models which has been able to attract investments from the rising middle- and upper-middle class and drives financial inclusion.

Limited adoption among UHNWIs

According to a 2018 survey by Kotak, most UHNWIs in India are unaware of the rising robo-advisory services.101

It revealed that though robo-advisory has become popular in developed countries, it is still at a very nascent stage in India.

UHNWIs in India still prefer traditional wealth management services that allow one-on-one interaction with wealth managers.

Digital transformation: State Bank of India (SBI)

With an intent to improve customer service, streamline operational processes, and optimise business models SBI launched several digital advancement initiatives. For instance:
- Under its initiative ‘Customer Channel Roopantar’ it introduced several digital solutions to enhance customer experience including SBI Digi Voucher, SBI Video Statement, SBI Mingle, etc.
- The bank adopted SBI Workspace, a comprehensive solution which provides secure access to internal applications and resources such as staff facing mobile and tablet applications, intranet applications, email, documents collaboration, etc.
- Also, to enhance productivity the bank intends to deploy software robotics in its back office to automate processes.

Impact of COVID-19

Despite the ongoing COVID-19 pandemic, the FinTech industry continued to gain momentum in 2020 and has witnessed significant deployment of funds. According to a KPMG report, in 1H20, funding in Indian FinTechs doubled from 1H19 to US$1.7 billion.102
In the past few years, India’s central bank, the Reserve Bank of India (RBI) has focused on creating policies that encourage new forms of lending and payment institutions, such as mobile wallets, P2P lending and payment banks. It has also made regulatory changes to support digitisation of banking, such as encouraging digital KYC processes and launching a regulatory sandbox.

Government initiatives to promote digital financial services

New guidelines for digital KYC
In April 2020, the Securities and Exchange Board of India (SEBI) issued new guidelines to standardise the digital KYC norms. One of the key developments was removing the physical verification mandate and allowing the use of digital platforms to verify identity and address documents. Further, it also permitted intermediaries to do video-based KYC.

With these reforms and integration of various digital platforms, banks will conduct a large part of KYC and account-opening processes online, resulting in greater efficiency and quicker turnaround.

New department to focus on FinTech
In March 2020, the RBI decided to set up an exclusive department of FinTech to focus on digital transactions and adoption of technology across all aspects of banking and non-banking services.

This will promote growth of FinTechs in the Indian market, resulting in faster advancements in digital financial services and competition for the traditional players.

Regulatory sandbox for FinTechs and financial institutions
In August 2019, RBI permitted start-ups, banks and financial institutions to set up a regulatory sandbox for live testing of innovative products in the fields of retail payments, money transfer, marketplace lending, digital KYC, financial advisory, wealth management and digital identification services.

This will enable authorities to bring new regulations or make regulatory changes required to support innovation as well as enable FinTechs to reach the end market faster.

Guidelines for interoperability of mobile wallets
In October 2018, RBI issued operational guidelines on interoperability of all mobile wallets i.e. wallet-to-wallet transfers across multiple issuers. One major update was allowing these transfers between KYC-compliant issuers of prepaid payment instruments (PPIs) by relying on UPI or card network infrastructure.

This will enable mobile wallets to act as quasi-banks in terms of payments, increasing competition between mobile wallet companies, payments banks and traditional banks.
Providing regulatory relaxations and other measures to open up to global developments in banking

The government of India has however not implemented any major regulations that promote digital wealth management. Although, few favourable initiatives such as allowing e-commerce players to enter the wealth management space coupled with stringent investor protection laws are encouraging the growth of digital wealth management in the market.

Introduction of Investment Advisers Regulations 2020

In July 2020, SEBI brought certain regulatory changes to the Investment Advisers Regulations, with the main objective to give importance to the interest of investors over investment advisors. The new changes addressed the malpractices of investment advisors related to charging excess fees, non-disclosure of complete service fee and extracting money in the name of various charges.

It also segregated advisory and distribution services for non-individual entities (including banks) at the client level, implying that these entities despite having different departments for advisory and distribution, cannot provide both services to a single client.

Relief for cross border payments

In 2019, RBI provided some relief to the international players by allowing them to store transactions data in a foreign market, in cases where the transaction originates in India but gets completed overseas. However, for end-to-end domestic transactions, all data needs to be stored within India.

This will help foreign players save substantial costs on setting up data processing infrastructure in India, as they can continue to do data processing and analytics outside India, where they would already have well-developed IT infrastructure.
Ombudsman Scheme for Digital Transactions

In 2019, RBI introduced ‘Ombudsman Scheme for Digital Transactions’ covering services provided by entities falling under its regulatory jurisdiction. This is an apex level cost-free mechanism for resolution of complaints regarding digital transactions undertaken by customers.

The scheme aims to tackle frauds associated with digital transactions, resulting in boosting customer confidence to carry out online financial transactions effectively.

The scheme is introduced to facilitate the satisfaction or settlement of complaints regarding digital transactions undertaken by customers of system participants as defined under the scheme.103

— Reserve Bank of India
Domestic players dominate the market, with growing market share of leading wealth managers

Growing wealth management and private banking

Leading private banks and wealth managers in India continue to grow their combined market share. According to Asian Private Banker’s AUM League table for India 2019, total AUM of the top 20 players reached US$237 billion, a y-o-y increase of 21 percent. The top three players within the list — Kotak Wealth Management, ICICI Bank Private Banking and IIFL Wealth — accounted for ~40 percent of the combined AUM of India’s top 20 players. As per the report, domestic players have witnessed a sharp increase in their market share in the recent years, rising from 60 percent in 2015 to 78 percent in 2019.

Leading banks ideally placed to cater to clients

In India, traditional banks are better placed to provide wealth management services to HNWIs due to the presence of established frameworks that understand risk preferences of clients, efficient due diligence measures in choosing products and significant focus on compliance. Moreover, these banks have a 360-degree view of their clients, enabling them to develop multiple tailored solutions to meet clients’ needs.

Rising competition from leading wealth managers

Leading wealth managers such as IIFL and Edelweiss are providing cost efficient advisory services to clients, thereby giving strong competition to traditional banks.

- Edelweiss has already launched its own robo-advisor — Guided portfolio — that recommends investments portfolios as based on customers’ goal and risk appetite, while IIFL is investing in start-ups that provides robo-advisory services such as 5Paisa.

Moreover, to better support clients, they are strengthening digital capabilities of their wealth advisors. For instance:

- IIFL launched AAA, a mobile based platform that allows its wealth managers to manage clients’ investments, access quality research and training, and monitor business performance.
Comparison of digital capabilities and offerings by leading players for HNW clients

In India, WealthTechs are leading in terms of offering different digital capabilities to their customers. Most traditional wealth managers provide customer features and digital execution capabilities, whereas WealthTechs are well advanced and provide a wide range of digital services including robo-advisory, trade execution and Big-Data analytics. For instance, INDWealth leverages machine learning algorithms to recommend investment option and tax saving solutions.

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Source: KPMG analysis based on data from company websites and annual reports
With limited penetration currently, substantial prospects for banks to enhance digital wealth services

**Recommendations**

Banks should focus on enhancing their overall digital capabilities, either by partnering with FinTech firms or by launching new digital products and services targeting high net worth clients.

Like leading wealth managers such as IIFL and Edelweiss, banks can also provide online trading in equities, fixed income and FX securities to their clients across international stock markets.

With increasing competition from digital platforms such as INDWealth, banks can also look to launch their own dedicated wealth management platforms that leverage AI or Big Data analytics to manage clients’ investments based on their financial goals and to offer personalised financial advice to them based on their needs and preferences in a cost-effective way.
Leading players and their digital wealth management offerings

Leading traditional banks

Kotak Mahindra Bank

Description

- One of the oldest wealth managers in India, Kotak manages wealth for 50 percent of India’s top 100 families
- Strong focus on building digital capabilities and became the first Indian bank to pioneer video-based KYC for new customers
- Offers a comprehensive and holistic platform covering the entire gamut of financial services for its UHNWI clients
- Priority Banking business assists mass affluent clients with products and solutions built to meet their financial requirements

Digital offerings in wealth management and private banking or for affluent clients

- Kotak Wealth app, allows access to mutual funds and exclusive Investment solutions based on the risk appetite of investors
- Asset register, provides a consolidated statement of all assets (ranging from financial to non-financial and physical to digital) at one place, which can be further used to create online wills
- Smart Overdraft, helps in managing finances with an unsecured overdraft limit for salaried individuals
- Smart Will, a tool that facilitates customers to prepare a will for seamless transmission of wealth to their heirs as part of succession planning

ICICI Bank

Description

- One of the largest private sector banks in India, serving 88 percent of savings account transactions through digital channels
- Strengthened data analytics and market intelligence capabilities for creating strategies to enable better targeting, channel and product alignment
- Launched ICICIStack, a comprehensive digital banking platform offering services to customers including retail, business banking, SME and corporate customers

Digital offerings in wealth management and private banking or for affluent clients

- Mutual Funds Transaction platform, an AI-based investment platform for investment in mutual funds that uses smart algorithms to create a customised portfolio based on investment profile and tries to optimise returns for a given level of risk
- iWealth, a mobile app that provides intelligent insights on mutual fund investments and suggests a suitable portfolio; also assists in real-time portfolio re-balancing
- Video Banking app, exclusive offering for privilege, wealth and Non Residential Indian (NRI) customers to connect with the ICICI Bank customer service representative
- e-locker, an online document storage facility to store all the valuable documents in one central secure location
Leading players and their digital wealth management offerings

Leading traditional banks

**HDFC Bank**

**Description**
- One of India’s leading private banks, HDFC provides a wide range of financial products and services to ~33 million customers
- Continues to invest in technology, computing and AI to provide hyper-personalised offerings to its customers, with the aim of becoming a digital-first bank
- Offers Premier Banking services to HNW clients to meet their financial needs

**Digital offerings in wealth management and private banking or for affluent clients**
- **InvestNow**, a mutual fund investment platform that provides customers with expert recommendations based on their financial goals and risk appetite
- **InvestTrack**, a structured tailored process that helps to identify investment opportunities in line with goals and risk appetites; also provides a consolidated view of mutual fund investments, HDFC Life policies, savings, current and fixed deposit account balances
- **Virtual Relationship Manager**, complemented with various digital tools such as web chat with Eva, remote banking via Apple Watch and service assistance via Facebook Messenger
- **e-will**, assists individuals to write their personal will online

**HSBC**

**Description**
- HSBC Premier offers wealth management solutions that addresses individual needs
- More focused on providing in-person assistance; relationship managers assist clients with the Goal Planner, an offline financial planning tool, that helps to manage financial needs and provides comprehensive financial analysis and tailored wealth solutions

**Digital offerings in wealth management and private banking or for affluent clients**
- **HSBC Advance** offers access to seamless banking service, including funds transfer, and provides a secure online platform to manage client’s investments
- **Wealth dashboard** and Retail Investment System (RIS) provide the convenience to take informed financial decisions, allowing clients to stay updated on the markets and their investments
Leading players and their digital wealth management offerings

Leading traditional banks

Standard Chartered Bank (SCB)

Description

- A leading foreign bank operating in India since 1858
- Offers phone banking, online banking and SMS banking services to its customers
- Straight2Bank onboarding portal allows digital account opening
- Introduced Premium Banking service to serve emerging affluent clients
- Launched real-time on-boarding for Credit Cards and Personal Loans

Digital offerings in wealth management and private banking or for affluent clients

- Online Trading website provides extensive research and an integrated view of users’ holdings and transactions with advanced reports
- SC Trading Mobile platform capabilities include:
  - IPO investing and 24X7 trading in equities, derivatives, bonds
  - Inter-segment transfer and personalised market watch
  - Intra-day charting, quick access to holdings and inter-segment fund transfer
- Portfolio management service offers management consulting and administration solution for entire equity investment portfolio
Leading wealth managers

IIFL

Description
• Incorporated in 1995, one of the biggest wealth managers in India with AUM of about US$24 billion
• Launched digital gold loan, which allows customers to avail loans without visiting branch
• Launched digital Finance initiative, to collaborate with e-commerce portals, to offer financial solutions to their merchants
• Introduced IIFL Disrupt, to support FinTechs (focused on WealthTech, InsurTech, robo-advisory), that struggled due to COVID-19

Digital offerings in wealth management and private banking or for affluent clients
• Launched IIFL ONE platform based on transparent “All-in-fee” structure, the idea is to enhance client experience with less cost. Under the platform it also provides customised portfolio management offerings: MANDATE and CONSULT
• It provides IIFL Markets app, that allows customers to execute trades, view portfolio and access buy/sell recommendations and industry reports.
• Launched AAA — Advisor Anytime Anywhere, mobile based platform for its wealth advisory partners; allows them to manage clients’ investments, access quality research and training and monitor business performance

Edelweiss

Description
• Established in 2010, Edelweiss wealth management is amongst top three wealth managers in India, in terms of AUM
• Offers India’s first “subscription-based” wealth management platform – Infinity
• Continues focus to enhance customer experience, for instance:
  • Collaborated with Definedge Solutions, to integrate analysis and trade execution platforms
  • Partnered with Signzy — a RegTech startup for digital customer onboarding and a faster verification process

Digital offerings in wealth management and private banking or for affluent clients
• Offers a desktop trading terminal TX3, a technology driven trading solution, designed to cater to the new age and professional traders.
• Provides Mobile Trader app, that allows customers to execute trades, view portfolio, access buy/sell recommendations, stock market commentary and industry reports.
• Offers Guided portfolio, a robo-advisory service that recommends portfolio based on customers goal and risk appetite.
• Launched a multi-product platform — Edelweiss Partners, for its business associates; allows access to different products in the market like mutual funds, IPOs, NCDs, company fixed deposits and home loans.
Leading players and their digital wealth management offerings

Leading wealth management platforms

**INDWealth**
- A wealth management platform based on machine learning, AI and data science that offers personal financial advice across asset classes, loans, and tax management to affluent segment and HNWIs
- Features include goal-based financial planning and future projections, portfolio management, tax analytics and tax-saving strategies as well as personalised recommendations of investment products
- Enrolled certified wealth advisors for every user family and launched a wealth advisor facing web application, creating communication and feedback loops between the customers and advisors
- Recently raised US$12.3 million in Series C funding round from Steadview Capital and Tiger Global

**Cube Wealth**
- A digital wealth management service that offers busy professionals investment options on its app along with expert advice. Also, guide investors to create an investment portfolio and provides anytime assistance from dedicated wealth coaches
- Uses gamification to help users invest through the app and provides investment options across asset classes, including mutual funds, foreign equities, digital gold and stock trading to help users diversify their investment
- Started international investments, allowing investors to buy and sell US and other countries’ equities on its app without visiting a bank or any other institution
- Launched a new cross-border software-as-a-service (SAAS) and marketplace — Cube Cloud — to help fund managers in India and Southeast Asia track capital from investors across fifty countries

**Groww**
- An investment platform for millennials with over Nine million users that allows investors to invest money with stockbroking and direct mutual funds
- Some of the features include investment management, overview of funds performance and investment tracking
- Expanded its offerings to allow users to buy stocks of Indian firms and digital gold and is also planning to launch international equities, where users can invest in US stocks
- Recently raised US$30 million in Series C funding round led by YC Continuity, the growth-stage investment fund of Y Combinator
Large HNW population with growing online and mobile banking adoption

Rise in mobile banking and payments

Australia has high internet penetration and is witnessing growth in mobile usage for accessing banking services and making payments. Consumers are increasingly becoming comfortable with the latest technologies in this domain, such as tap-and-go.

88% Internet penetration in Australia, with a total of 22.3 million internet users\textsuperscript{107}

90% Customer satisfaction in mobile banking, the fastest growing banking channel in Australia\textsuperscript{108}
Slow adoption of advanced digital services, e-wallets

Digital wallet adoption in Australia, although rising, is substantially behind most countries. There is still a long way forward for the market to move from simple mobile payments to more extensive uses, such as loyalty programmes, mass transit ticketing and many other innovations.

- Australians use digital wallets (vis-à-vis >50% in many other Asian markets), with Apple Pay being the most popular

- Banks do not offer account integration with Apple Pay, Google Pay or Samsung Pay

The market opportunity in Australia needs to be understood in the context of both equity in property and the mandatory superannuation system (including self managed super funds), as major drivers of private wealth.

— Hessel Verbeek, Partner, Strategy, KPMG Australia

Large HNW base with growing demand for digital financial services

People with over US$1 million in investable assets (including their primary residence), the third-largest HNW population in Asia Pacific

Growth expected in Australia’s HNWIs during 2020–24 to reach 2.1 million; UHNW population to grow at 29% to reach 4,881

Destination for migrating HNWIs globally; 11% HNWIs who moved out of their home countries in 2018 took up residency in Australia

Australia is home to the third-largest HNW population in Asia Pacific, with a rising demand for digital financial services, such as robo-advisory services in wealth management. Moreover, with strong growth expected in the size of this demographic in the coming years, it is likely to lead to major opportunities for private banks and wealth managers to address the advisory needs of this group.
Strong growth opportunities exist for financial advisors within Australia’s wealthier client base

Large untapped HNWI market for financial advice

While Australia’s HNWI population has been growing at a fast pace, its private banking and financial management providers haven’t been able to catch up equally, indicating a strong potential to tap this opportunity.

• As per a 2018 Financial Advice Report, during 2008–16, HNWIs in Australia increased 41 percent, while the number of HNWIs using a financial advisor grew by only 16 percent.115 Similarly, according to statistics provided by NAB, less than 20 percent of the HNWIs in Australia had a private banker in 2018 (compared to more than 70 percent in the UK).116

Gradual improvement in existing low satisfaction levels of HNWIs with banking relations

According to a research conducted by the Roy Morgan Research Institute, the wealthiest 30 percent of Australians were found to be less satisfied with their banking relationships (~75 percent), vis-à-vis the bottom 30 percent Australians who had a satisfaction level of ~85 percent.118 This gap has significantly widened during 2013–18, reflecting the unmet advisory needs of HNW clients.

• According to a 2019 HNW Investor report, 58 percent of HNWIs in Australia had unmet financial advisory needs, particularly with respect to inter-generational planning, ETFs and identifying undervalued assets.119 However, the views of these wealthy investors toward financial planners, investment advisors and private bankers have shown notable improvement.

• The HNW report revealed that in 2019, ~29 percent investors showed interest in using an advisor to access a wider range of investments and second opinion, compared with ~22 percent in 2018.120

Comparison of growth in HNWIs and HNWIs with financial advisors during 2008-16

Source: KPMG analysis based on data from Investment Trends 2017 HNW Investor report

With growing wealth and a consequent rise in investment complexities, the use of private bankers and wealth managers is also increasing, with demand for financial advice in the market expected to considerably exceed the current supply levels.
Growing digital preferences of HNWIs are compelling banks/wealth managers to evolve

Rise in demand for robo-advisory services and alternative investment channels

As Australian HNW investors are digitally savvy and financially skilled, they have started embracing new digital tools for real-time portfolio information as well as for digitalised investment execution. As a result, robo-advisory has started to gain momentum.

According to a 2020 GlobalData survey, Australian HNW investors use an average of four different wealth managers, driven by the rise in automated investment services.121

However, with growing adoption of robo-advisory services, traditional players are facing a major impact on their bottom lines as HNW clients have become increasingly fee-sensitive due to the low-cost business models of robo-advisors. According to the GlobalData survey quoted above, 76 percent of wealth managers in Australia have lowered or are planning to lower their fees to compete with robo-advisory service providers.122

While there is a strong rise in demand of alternative channels due to loss of trust with traditional advisory channels and loss of belief that traditional services yield better returns, the current regulation around robo-advice remains restrictive.

— Hessel Verbeek, Partner, KPMG Australia

Moreover, it has been observed that there is a rising preference among investors for peer-to-peer investing. Australians, particularly from millennials and Generation X age groups are increasingly moving their term/savings deposits onto peer-to-peer lending platforms for better yields.

Greater usage of digital payment methods with the introduction of NPP

In February 2018, the New Payments Platform (NPP) was launched as a strategic part of Australia’s vision for a digital economy. NPP is an industry-wide platform designed to make real-time, 24/7 payments with richer data and simple addressing using PayIDs.

Number of monthly NPP payments (in millions)123

Source: Reserve Bank of Australia

Since its launch, payment volumes over the NPP have been growing rapidly, and the platform had processed 631 million payments worth AUD609 billion till July 2020.124

The top four banks — CBA, NAB, Westpac and ANZ Bank — as well as HSBC are among the 13 shareholders of NPP, and all major banks in Australia have already rolled out the NPP payment functionality to different customer segments and channels.

According to NPP Australia, the platform’s adoption is expected to grow further to a wider range of organisations, ranging from new neobanks, payment service providers, cross-border remittance companies, cryptocurrency exchanges, FinTechs, corporates as well as government agencies.

Wealth managers and private bankers moving away from leading banks

Financial advisors from top Australian banks have been recently moving away to meet the changing demand of investors. In 2015, the number of advisors employed by or aligned to major financial institutions accounted for 60 percent of the industry.125 However, this number has reduced to 40 percent in 2019, and is falling fast.126

Some of the major reasons for this movement have been lack of self-autonomy, resistance to adoption of latest technology by these firms and focus on in-house managed funds and investment products.

This has resulted in creation of new entities or wealth management platforms such as Crestone Wealth Management (a management buyout of UBS Australia’s wealth division), Escala Partners (a UBS offshoot) and Koda Capital (an offshoot of NAB).
Government opening up to global developments in banking with certain initiatives/relaxations

In recent years, the Australian government has introduced regulatory reforms that (directly or indirectly) support the growth of digital financial services. Measures to support FS start-ups, promote online payments and launch open banking, have contributed to developing Australia as a market for advanced financial products.

**Enhanced support for FinTech start-ups**

In Australia, to be considered a ‘neobank’ or a ‘digital bank’, banks are required to have a deposit-taking (ADI) licence issued by the Australian Prudential Regulation Authority (APRA), after a range of requirements are met, the key one being capital adequacy. However, such authorities are now trying to ease certain rules to promote digital banks and FinTechs.

- APRA recently established a regulatory route for licensing ‘Restricted ADIs’, that allows new entrants to conduct limited banking business in their startup phase under a simpler framework, making it easier to develop their capabilities and resources.
- In May 2020, the government enhanced its existing ‘Regulatory Sandbox’ framework that enables FinTechs to test new financial products and services without the need for an Australian FS licence. It extended the duration for this to 24 months, up from 12 months earlier.\(^{127}\)

**Eased cross-border payments**

The Reserve Bank of Australia has been working closely with the Reserve Bank of New Zealand, AUSTRAC and South Pacific central banks to develop a regional framework to reduce cross-border payment costs.

- One key initiative includes adoption of the ISO20022 standard that enables end-to-end payment processing between traditional infrastructure and new systems across domains and geographies, promoting standardised and richer payments.

**Proposal to place limits on cash payments**

The recently introduced Currency Bill 2019 proposes to ban cash payments over A$10,000 to end tax avoidance, money laundering and other black economy activities. If passed, it is expected to result in a spur in the already increasing digital payment volumes in Australia.

**Renewed GCRA standards and higher supervision**

In 2019, APRA, with inputs from the Royal Commission post its investigation on misconduct in the FS industry, introduced strong changes to the GCRA (Governance, Culture, Remuneration and Accountability) practices in Australia. It includes raising GCRA standards, intense supervision, and greater transparency and declarations from FS entities. The additional costs related to these requirements are emerging as a key concern for banks.
Opportunities in wealth management as incumbents make space for emerging players

Rising wealth management exits from large banks

The banking industry in Australia is dominated by the big four banks — CBA, NAB, Westpac and ANZ Bank — which account for ~80% of total banking assets. However, these banks have started exiting the wealth management segment after recommendations from the Royal Commission demanded greater regulatory oversight from banks, increasing their cost of doing business.

- CBA recently sold its majority stake in Colonial First State business to KKR, and ANZ sold its wealth management arm to IOOF. After offloading its financial advice operations in 2019, Westpac has put its wealth assets under review while NAB plans to sell its MLC Wealth subsidiary in 2020.

This displacement of the big four banks from the sector is creating opportunities for the new players, particularly FinTechs in the wealth management space, HNW investors in Australia are more digitally savvy and are looking for innovative solutions at low cost.

While both domestic and global banks are withdrawing from the wealth management segment in Australia, these banks are planning to boost their private banking services for HNW clients. For example, NAB and Citibank are hiring more private bankers to attract wealthy clients.

Growth in digital wealth management platforms

Apart from traditional banks, there are various other players that offer digital wealth services in the market, either directly to investors or to financial advisors or both. This includes emerging digital wealth platforms, such as PictureWealth and Netwealth, and robo-advisory services providers such as Stockspot and Six Park.

These wealth managers seem to have an edge over the traditional players, primarily led by their robo-advisory services as well as a higher variety of wealth management capabilities offered on their digital platforms.
Comparison of digital capabilities and offerings by leading players for HNW clients

In Australia, WealthTechs are well placed in terms of offering robo-advisory services and digital capabilities related to customer features. Traditional banks are leading in terms of providing digital execution capabilities, with a focus on promoting trading and investment among the mass population by launching platforms that allow users to initiate investments with very small amounts. Also, they provide tools to access detailed research/insights that facilitate investment decisions.

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<tr>
<th>Digital capabilities</th>
<th>CBA</th>
<th>ANZ</th>
<th>NAB</th>
<th>Westpac</th>
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Source: KPMG analysis based on data from company websites and annual reports
With limited presence, strong prospects for foreign banks to bolster their digital wealth and banking services

Recommendations

Banks should focus on enhancing their digital offerings, either by partnering with FinTech firms to develop new solutions or by launching their own digital products and services targeting HNW clients.

They can also look to launch dedicated wealth management platforms, powered by robo-advisory, offering personalised financial advice to their clients based on their needs and preferences in a cost-effective way.

As the ‘Big Four’ Australian banks are divesting from wealth management and bolstering their private banking segment, foreign banks should also strengthen their private banking arm with tech. investments and hiring of private bankers who are moving away from top banks.

Also, banks should focus on bolstering their technical capabilities to support their wealth managers, making the process more agile and leading to overall improvement in customer satisfaction.
## Leading traditional banks

### Commonwealth Bank of Australia (CBA)

**Description**
- One of the four largest banks in Australia with a strong footprint in digital banking
- CommBank mobile app services ~7 million active digital customers, with 7.4 million logins daily
- Aims to establish 25 new FinTech-focused businesses in the next five years for which it has set up an entity ‘X15’
- Plans to invest AUD5 billion in the next 5 years to improve digital capabilities

### Australia and New Zealand Bank (ANZ)

**Description**
- Large Australia-based bank having 6.4 million customers, of which, 3.6 million customers are digitally active
- ~2.8 million of the bank’s customers use ANZ app, with more than AUD380 million worth of transactions every day
- Plans to build flexible and resilient digital infrastructure that supports great customer experience at lower cost

### Digital offerings in wealth management and private banking or for affluent clients

#### Commonwealth Bank of Australia (CBA)
- Mobile apps for Commonwealth Private clients:
  - **CommBank Property** – A property search powered by Domain with the option of including finances
  - **CommBiz** – Online business banking platform
  - **CommSec Equities App**, that allows to trade stocks from about 25 international markets, with expert stock recommendations.
  - **CommSec Pocket application**, that allows users to start investing with low amount and build a portfolio over time
  - Also provides support to investors via different channels including phone, Twitter or online
  - Two Comm Bank arms — CommSec Adviser Services and Colonial First State — teamed up to launch Portfolio Service (a robo-advisory service), aimed at providing financial advisory services to HNW clients

#### Australia and New Zealand Bank (ANZ)
- **ANZ Private Investment Platform** provides holistic view of investments with the flexibility to execute in a self-directed, advised or discretionary manner
- Provides **Financial Wellbeing Score calculator** that enables customers to know their financial health
- **Share trading platforms**
  - Standard platform provides a comprehensive suite of trading tools in an easy-to-use format to either start or grow a portfolio
  - Pro platform is built for advanced traders who require more technical tools and seamlessly integrates with standard platform
  - ANZ mobile application allows users to view and manage current positions, trade in markets, access ASX announcements and explore shares with Morningstar research and charts
Leading players and their digital wealth management offerings

Leading traditional banks

National Australia Bank (NAB)

Description
- One of the leading banks in Australia, with two thirds of customers interacting exclusively through digital channels
- Moving towards technology transformation by adopting cloud and improving customer experience
- Ubank, digital only arm of the bank, increased its customer base by 40 percent over the last two years

Digital offerings in wealth management and private banking or for affluent clients
- Nabtrade – A digital wealth platform for trading domestic shares and international shares (the US, UK, Hong Kong and Germany), managing funds and ETFs
  - Provides web, mobile and tablet-based application that provides customers with access to their investment portfolio, to insights and recommendations
  - Also provides IRIS, an advanced trading platform
  - Collaborated with Heffron SMSF Solutions to launch an administration service for Self Managed Super Fund

Westpac Bank

Description
- One of the top banking players in Australia, with strong focus on digital transformation
- Launched a data platform that supports the government’s ‘Open Banking’ regulations and also introduced a real time NPP
- Partnered with UK cloud tech provider 10x Future Technologies to build a standalone digital banking-as-a-service platform, which is expected to be live before the end of 2020

Digital offerings in wealth management and private banking or for affluent clients
- Rolled out Panorama, an Investment/wealth management platform providing compliance-friendly digital advice to investors, independent financial advisors and their clients
- Offers financial health check programmes for superannuation members, including the digital Wealth Review and My Wellbeing online portal
- Provides Westpac share trading platform, that allow users to trade in Australian shares via. web/mobile based applications
- In collaboration with BT, offers its customers an option to invest in ready-made investment portfolios and to build their own portfolio by investing in ASX listed securities and ETFs, term deposits, managed funds and managed portfolios
Leading players and their digital wealth management offerings

Leading traditional banks

**HSBC**

**Description**
- Offers both mobile banking and online banking services to its customers
- Provides digital corporate banking platform (HSBCnet) and cash management solution (HSBC Omni Collect) to its clients
- Expects NPP and Open Banking regime to unlock new growth opportunities and drive efficiencies

**Digital offerings in wealth management and private banking or for affluent clients**
- Entered the Australian private banking sector in 2016, with the strategy of targeting existing customers as well as HNW customers using products in its retail bank who might have private banking elsewhere
- Provides trading platforms accessible via smart phone or tablet; allows customers to trade in variety of products including stocks listed in Australia, bonds, FX, ETFs, managed funds etc.
- Provides advanced charting platform webIBRESS, to facilitate better identification of potential investment and trading opportunities
- Also, provides broker research, buy/sell signals and daily trading ideas

**Standard Chartered Bank (SCB)**

**Description**
- Entered Australian market in 1964 with an aim to facilitate trade and investment flows between Australia and SCB in Asia, Middle East and Africa
- Caters to clients in Corporate and Institutional Banking business only
- Services are limited to financial solutions such as financing, guarantees, remittances, fund settlement, trade finance, project finance, syndications, and corporate advisory business
Leading players and their digital wealth management offerings

Leading wealth management platforms

**PictureWealth**
- A digital wealth management platform, that combines the power of digital automation and a sizeable network of licensed, human financial advisers
- Free for clients and provides access to a gamut of wealth management services including, income and cash flow management, budgeting and goal tracking, estate planning, personal insurance and will management, superannuation, liability reviewing, investing, and financial advisory
- Recently raised A$12 million from private investors, and acquired 100 percent stake of Neo Financial Solutions, giving it a combined footprint of 94 advisers and A$2 billion in funds under advice

**Stockspot**
- An online investment robo-advisory service provider that builds customised portfolio using ETFs, giving access to a range of different investments with low fees
- Offers portfolio ‘Themes’ service, that mainly focuses on capturing HNWIs, allowing investors to choose the direction of their portfolio to certain geographic regions (such as mainland China or the US), asset classes (global property or bonds), or market factors (small companies, dividend shares or socially responsible shares).
- Continued to generate positive returns on a rolling 12-month basis and five of its portfolios outperformed 464 of 469 similar diversified funds, as tracked by Morningstar

**Six Park**
- An investment robo-advisory service provider that offers tailored investment solutions for clients with a unique combination of technology and human expertise, at affordable prices
- Offers five investment portfolios ranging from conservative to high-growth. Each portfolio is diversified across major asset classes and offers a mix of defensive and growth investments using high-quality, ASX-listed ETFs
Growing e-wallet payments, digital banking adoption and HNWIs with strong internet penetration

Robust internet and smartphone penetration

Malaysia was ranked 30th in the Global Connectivity Index 2019 and received top score in terms of internet and smartphone penetration. Overall improvement in internet accessibility, speed and affordability has driven strong penetration rates.

In 2019, 25.9 million people used a mobile device to access the internet, which is about 96 percent of all internet users.

- **83%** Internet penetration in Malaysia, with a total of 26.7 million internet users in January 2020.
- **90%** Smartphone penetration in 2019, well above Asia Pacific’s average penetration rate of 51 percent.
Rise in digital payment transactions via wallets

The increasing availability of smartphones, strong internet access, high adoption rate for digital payment channels and the government’s efforts have stimulated the growth of payments systems in the market. Moreover, COVID-19 has further accelerated this rate of adoption.

Total transaction value in digital payments projected by 2020 — expected to grow at CAGR of 9.8% between 2020–24\(^{133}\)

Mobile point of sale payments projected by 2020 — expected to reach US$5 billion by 2024\(^{134}\)

According to Mastercard Impact Study 2020, Malaysia is the leader in terms of e-wallet usage in Southeast Asia.\(^{135}\) Its digital wallet usage stood at 40 percent, ahead of Singapore at 26 percent.\(^{136}\)

As per JP Morgan estimates, the fast adoption of e-payments channels could lead digital wallets to surpass cash usage in the Malaysian market by 2021.\(^{137}\)

In November 2020, e-money transactions reached 200.8 million, 11.8 percent higher as compared to last year.\(^{138}\)

As of December 2019, there were 53 e-wallet platforms operating in Malaysia, with GrabPay, Touch ‘n Go, Boost, and Fave being the most preferred.\(^{139}\)

Rising preference for digital banking

The preference for digital banking service is rising among Malaysians.

Based on an online survey conducted by KPMG in Malaysia, to assess customer appetite and concerns for digital banking, about 77 percent of 1,220 respondents expressed that they believe digital banking is the next evolution in the FS sector.\(^{140}\)

Also, nearly 82 percent of them stated that they were already using internet banking.\(^{141}\)

Malaysians are expected to have a digital-only bank account by 2025.\(^{142}\)

— Study by Finder.com

The survey also revealed that ~82 percent of the respondents would consider opening a bank account through online platforms if they were regulated by Bank Negara Malaysia.\(^{143}\)

- In line with this trend, several local as well as global banks operating in Malaysia are focusing on expanding their digital banking capabilities.

Small HNWI market but rapid growth expected

Although the HNW population in Malaysia is substantially smaller than other developed Asian markets, it has been growing at a fast pace.

As per the Knight Frank Wealth Report 2020, Malaysia is likely to see one of the highest growth rates for HNWIs globally, rising at 85 percent (global average 28 percent) during 2019–24 to reach 37,900.\(^{144}\) Its UHNWI population would grow to ~913 by 2024 from ~675 in 2019.\(^{145}\)

The expected rise in the number of affluent individuals in Malaysia can be attributed to a favourable political and economic environment that is likely to support wealth creation and protection. Further, restored confidence in real estate market is expected to drive a rise in wealth.

People with US$1+ million net worth (including their primary residence), expected to grow at 85% during 2019-24\(^{146}\)

Growth expected in Malaysia’s UHNWI population during 2019–24\(^{147}\)
Leading market for Islamic financing, with rising tech spend and focus on cross-border capabilities

Risk aversion and low preference for advisory services

Malaysia’s wealthy individuals are not big users of professional advisory services and are risk-averse, hence tend to invest in safe and low-yielding investments like fixed deposits, property investments and savings accounts.

- Unit trust and individual private mandates are popular investments given higher awareness as compared with other investment products.

Also, alternative investments such as equity crowdfunding and peer-to-peer investments have gained some traction and are expected to see further growth in popularity, although awareness for such products continues to remain low among most Malaysians.

- Over the next five years AUM for equity crowdfunding and peer-to-peer investments will grow at a CAGR of 37.7 percent and 53.4 percent, respectively.\(^{148}\)

Experts believe that there is a trust-deficiency in the industry, due to lack of wealth management talent along with low focus on innovative product development.

Banks increasing their technology spend

Malaysian banks are focusing on enhancing their digital capabilities and have increased their technology spend in the past few years. The average share of technology spend in total expenses has increased from 4.1 percent in 2016 to 6.4 percent in 2018 (although still far behind Singapore with 13.2 percent).\(^{149}\)

- CIMB and Hong Leong Bank raised their technology spend from one percent and 5.5 percent in 2016 to nine percent and eight percent in 2018, respectively.\(^{150}\)

This rise in spend can be attributed to the growing competition from new entrants, especially innovative start-ups, which has forced Malaysia’s traditional financial institutions to increase their digitalisation efforts.

Banks boost cross-border payment capabilities

Rapid expansion of cross-border trade, as well as higher preference of Malaysian online shoppers for cross-border shipping (~40 percent online transactions are cross-border),\(^{151}\) has led to an increase in demand for such transactions and payments.

This rise in demand has encouraged banks to enhance their cross-border remittance capabilities, which has further led to an increase in collaborations among banks and FinTechs, for instance:

- CIMB collaborated with Ripple to provide instant cross-border payments across the ASEAN banks.
- MoneyMatch and Malaysian unit of Kuwait Finance House announced a strategic collaboration to provide cross-border payment services.

Strong Islamic banking and wealth management sector

Malaysia has emerged as one of the global leaders in Islamic finance and now rivals some of the eminent Middle East nations where this segment is growing.

This rise can be attributed to its ability to innovate and introduce new financial services, dominance in the sukuk market (an Islamic banking certificate similar to bonds) and a favourable regulatory environment.

- To further strengthen its position, the government has expressed intentions to expand Islamic banking from 28 percent of the financial sector in 2018 to about 40 percent by 2020.\(^{152}\)

With market expertise and supportive legal infrastructure for Islamic Finance, Malaysia is well positioned to offer a wide array of Islamic wealth management products and services.

- Labuan IBFC — a special economic zone in Malaysia — has been evolving as a leading centre for catering to the needs of global Islamic wealth management. It offers a complete suite of Islamic wealth management structures and solutions, effective regulatory standards, a Shariah supervisory council and a favourable business environment.

International banks have also started taking initiatives, reflecting their commitment towards Islamic finance, for instance:

- BNP Paribas Malaysia and International Centre for Education in Islamic Finance, have established the Centre for Islamic Wealth Management, an initiative to support the growth of Islamic wealth management industry.
Government strengthening regulations and promoting digitisation in banking and capital markets

Regulators in Malaysia are working with the government to speed up digitisation in banking and capital markets. The free trade zone, Labuan, is a major attraction to wealth management customers. However, areas such as digital asset training, digital asset fundraising, equity crowdfunding, and peer-to-peer financing are highly regulated. A few recent initiatives/regulations such as the lengthy process of setting up a digital bank and widening of the scope of stamp duty remission to all the transfers may also act as a barrier to the growth of wealth management segment in the Malaysian market.

Promoting innovation in investment management

In May 2017, the Securities Commission (SC) in Malaysia introduced the ‘Digital Investment Management’ framework, setting out licensing and conduct requirements for the offering of automated discretionary portfolio management services.

- Since then, various start-ups and fund managers have been tapping into this segment and embracing innovation to better engage with the investors, while at the same time making investments affordable and accessible to all.

Labuan mid-shore jurisdiction favours investors

The mid-shore jurisdiction of Labuan IBFC provides access to Malaysia’s extensive double taxation treaty network and a simple and straightforward tax system.

- The system is complemented by laws to eliminate ‘fiscal friction’ as it does not include any exchange control, transfer taxes, withholding tax and indirect taxes, thereby acting as an attractive spot to facilitate cross-border transactions, business dealings and wealth management for investors in the Asia Pacific region.

Legalised digital asset and crypto trading

In July 2020, Malaysia’s SC permitted the trading of digital assets and tokens at the registered digital asset exchanges stimulating development and greater investment in digital assets.

- Till now, the commission has allowed three digital asset exchanges — Tokenize, SINEGY, and Luno — to operate in the Malaysian market.153

Building up cross border payments infrastructure

Bank Negara Malaysia (BNM), the central bank of Malaysia, has been planning to address gaps in cross-border payments infrastructure of Malaysia and has highlighted its efforts to integrate real-time retail payments infrastructures under the ASEAN Payments Policy Framework.

- BNM is also working to migrate to ISO 20022, which is expected to drive greater payments efficiency, facilitate risk management as well as facilitate cross-border connectivity.
Gearing up for digitisation in banking
In December 2019, BNM issued a draft on the licensing framework for digital banks, with the objective to promote financial inclusion and improve financial literacy. It also publicised its intention to issue five digital banking licences, thereby allowing licence holders to conduct either conventional or Islamic banking in Malaysia.154

- However, considering the strict capital requirements and lengthy process under this new framework, several existing banks are enhancing their digital banking capabilities with varying operating models, in response to the potential disruption of future neo-banks in the system.

E-wallets to distribute capital market products
In May 2020, The Securities Commission of Malaysia allowed operators of e-wallet or e-payment applications to partner with capital markets services licence holders and distribute capital market products directly to users.155

Increased tax rates and restricted stamp duty remissions in 2020 Budget
For resident individuals, a new chargeable income band has been introduced, such that the high income earners with the chargeable income exceeding RM2 million will be taxed at a higher rate of 30 percent (previously 28 percent).

Stamp duty (50 percent) is also now chargeable on all the instruments of transfer between parents and children (by way of love or affection), but only where the recipient is a Malaysian citizen.

- Earlier, remission was applied regardless of whether the parents and children are Malaysian citizens or non-citizens.
Opportunities for WealthTechs as traditional players lag in innovative wealth management solutions

Growing digitisation but vast scope to improve digital offerings

With strong internet and smartphone penetration and the government’s push to accelerate digitisation, banks in Malaysia have increased their tech spend to develop advanced wealth management products for an enhanced digital customer experience.

- These include offering portfolio dashboards, financial planning, regular research/market insights and portfolio management.

However, there is still plenty of room to expand the range as well as level of customisation in these investment products and solutions. The existing offerings are limited to structured products, foreign exchange-related instruments and unit trust funds which can further be tailored as per the needs of the clients. Also, there is a scope to expand digital trading capabilities for different instruments across international markets.

Low trust levels and higher advisory fee driving interest towards WealthTechs and alternative assets

Investors in Malaysia have low levels of trust in the wealth management industry, primarily due to a dearth of high-quality advisory talent. Moreover, the existing products provided by wealth managers come with high advisory fee that do not deliver the expected returns.

As a result, WealthTech platforms have been benefiting from this dissatisfaction, as they are able to attract more customers by offering low-cost digital investment solutions with the option to diversify their investment over the range of international securities.

Moreover, alternate investment asset classes such as ECF and P2P are gaining interest, as they provide a better diversification and risk to reward opportunities.
Comparison of digital capabilities and offerings by leading players for HNW clients

In Malaysia, WealthTechs are leading in terms of offering different digital capabilities to their customers. Most of the traditional banks provide in-person advisory services rather than providing algorithm-driven investment solutions, whereas WealthTechs are well-advanced in leveraging AI, Big Data and robo-advisory. Also, international players such as SCB are way ahead of domestic banks in terms of offering digital services.

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<th>Citi</th>
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Source: KPMG analysis based on data from company websites and annual reports

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Banks can focus on digital offerings to meet potential demand for advisory among HNWIs

Recommendations

Given that the Government of Malaysia is actively promoting digitisation in banking and capital markets, banks should continue to invest in strengthening their digital wealth capabilities by leveraging advanced data-driven technologies and AI.

Since Malaysian HNWIs are conservative with their savings and investments, banks should focus on educating them about the benefits of long-term investment strategies and wealth management products.

They should also look to combine their digital and human capabilities with a hybrid robo-advisory model to offer personalised wealth management and advisory solutions, with focus on the Malaysia’s growing HNW population.

Banks can further work towards collaborating with digital wallets and FinTechs to enhance their cross-border remittance capabilities and to offer an enhanced customer experience.

Moreover, with the growing popularity of alternate investment options, banks may want to explore introducing services that look into such asset classes that cater to the demand for diversification among investors.

They can also plan to provide digital trading options in equities, fixed income and FX securities to their clients across more international markets.
Leading players and their digital wealth management offerings

Leading traditional banks

**Maybank**

**Description**
- One of the largest banks in Malaysia with a strong focus on digital transformation
- Continue to build and strengthen its asset management business by launching innovative conventional and Islamic products and expanding third-party distribution channels across markets
- Launched Smile mobile app, that enables customers to access their insurance policy details, panel of service providers, submit claims and receive information to facilitate informed decision-making
- Maybank Private and Maybank Premier provide a suite of services tailored to meet clients’ daily banking needs as well as longer-term investment goals

**Digital offerings in wealth management and private banking or for affluent clients**
- **Maybank Wealth app**, empowers affluent customers to manage their finances by providing a consolidated view of their product holdings; helps them evaluate, analyse and understand their financial and investment status
- Offers **online will writing** through its digital banking platform, Maybank2u
- **Rolled out M2U Live Chat**, a real-time platform for premier banking customers to seek assistance via Maybank2u and Maybank mobile app 24/7
- First local bank in Malaysia to introduce **SWIFT Global Payments Innovation (GPI)** that enables speedier, more convenient and secure cross-border remittances
- **Maybank Trade** enhanced its engagement platform to develop predictive customer behaviour analytics capabilities as well as implemented biometrics login for faster and more secure transactions

**CIMB**

**Description**
- Largest Private Bank in Malaysia with ~US$12 billion of AUM in the domestic market
- First bank in Malaysia to receive Bank Negara’s regulatory sandbox approval for electronic-know your customer (e-KYC)
- Launched first Big Data platform in Malaysia, using open-source software and supported by a data science centre of excellence
- CIMB Private Banking service offers customised advisory, portfolio planning and wealth management solutions for HNWIs

**Digital offerings in wealth management and private banking or for affluent clients**
- **Clicks Trader**, offers online trading conveniences to help grow investments via CIMB Clicks mobile app
- **Launched separately managed accounts (SMA)**, a discretionary portfolio platform, that provides investors access to investment strategies from global asset managers and help them invest in global stocks through a multi-currency strategy
## Leading players and their digital wealth management offerings

### Leading traditional banks

#### Hong Leong Bank

**Description**

- Fifth largest lender in Malaysia with strong focus on digital transformation
- First bank in Malaysia to offer a completely digital onboarding experience
- Plans to roll out more digital reboots and enhancements across all segments and spend about RM130 million on expanding its digital initiatives in 2020-21

**Digital offerings in wealth management and private banking or for affluent clients**

- **HLeBroking**, allows customers to trade in foreign stock markets including Singapore, US, Australia and HK via an online platform
- **BURSA Trading**, offers online trading facility in local market via mobile app
- **HLeChart**, real-time charting for market analysis
- **EquitiesTracker** provides market insights, analysis and tracking by independent equities research portal

#### Standard Chartered Bank (SCB)

**Description**

- One of the leading international banks in Malaysia
- First international bank to set up an Islamic banking arm and to launch Islamic products
- Best Islamic Digital Bank in Malaysia 2020 by Global Finance for the fourth consecutive year
- First bank in Malaysia to offer secured wealth lending in foreign currencies
- First bank in Malaysia to offer banking through video, audio and chat for the Personal and Priority Banking segments

**Digital offerings in wealth management and private banking or for affluent clients**

- **Smart Direct**, where investors can transact in over 250 mutual funds from various foreign currencies and track their portfolio performance online via SC Mobile app
- **Smart Goals**, to achieve financial goals customised to suit investors’ needs and investment style, i.e., duration, initial investment, monthly commitment and risk appetite
- **Wealth Power**, allows investors to invest into bonds, unit trusts, structured investments and insurance products for higher potential returns, traded in seven foreign currencies
Leading players and their digital wealth management offerings

Leading traditional banks

Citi

Description

• Operational in Malaysia since 1959
• Market leader in terms credit cards and a dominant share in wealth management
• Set-up digital branches to provide clients a suite of digital-only self-service channels modelled on Citi’s Smart Banking strategy
• CITI Mobile app, provide simpler, faster and safer way of banking with greater flexibility and personalised views

Digital offerings in wealth management and private banking or for affluent clients

• Total wealth advisor, enables customer to visualise and confirm goals from time to time, calculate the cost estimate for goals and track and work towards financial goals
• Offers wide range of investment products including retail bonds, unit trusts, market-linked investment to dual currency accounts that can be managed online
• Provides research on global and local financial markets to help address investment needs
Leading players and their digital wealth management offerings

Leading traditional banks

HSBC

Description
- HSBC Premier offers wealth management solutions that addresses individual needs
- More focused on providing in-person assistance
- FPX, an online payment gateway that enables its clients to pay for their online purchases hassle-free and in real-time
- NetPlus helps to understand the latest cybersecurity threats and provides fraud awareness information
- HSBC Amanah allows investors to invest in equity markets in compliance with Shariah (Islamic law)

Digital offerings in wealth management and private banking or for affluent clients
- Allows digital account onboarding to its customers
- Trade Transaction Tracker on HSBCnet, provides real-time access to trade transactions on mobile
- Wealth Dashboard, an online wealth management platform, allows access to monitor funds, and provides up-to-date news and updates related to investments
- Global Transfers feature in mobile banking allows instant money transfers to other HSBC accounts and cross-border foreign currency fund transfers (in seconds)
## Leading players and their digital wealth management offerings

### Leading wealth management platforms

#### MyTheo
- A digital investment management platform that automatically creates, maintains and optimises the investment portfolio based on client’s profile and risk appetite
- The algorithm reviews the investment asset composition of the functional portfolios regularly to optimise returns and rebalances portfolio automatically based on market movements
- Invests in over 25 ETFs globally listed in the US market to reduce the overall risks of the portfolio

#### StashAway
- An online wealth management mobile application that leverages a robo-advisory solution to seamlessly integrate human advisory services with FinTech innovation to deliver personalised wealth management solutions at low cost, hereby removing the barriers to investment management and portfolios that were traditionally reserved for HNW investors
- Provides access to personalised financial documents such as income and expense statement, balance sheet and strategic asset allocation statement in an organised manner, allows financial health check, provides a tailor-made roadmap to financial freedom and a custom-made action plan with strategies to achieve it
- Launches an SGX-traded income-generating portfolio that aims to provide investors with an income of 3.75 percent and capital appreciation of 4.4 percent annually; the portfolio was listed among the top 10 new funds in 3Q19 by Citywire Asia

#### Algebra
- A robo-advisory solution that combines financial advice with very high quality asset management solutions, normally available only to HNWIs through hedge funds and family offices
- Offers a wider range of investments and asset classes, including Shariah-compliant and non-Shariah compliant investment options, and tools such as education planning and financial planning that are automatically incorporated in a risk weighted portfolio to achieve desired goals
- Invests majorly in iShares ETFs and stocks listed on the S&P 500 index

#### i-Wealth
- An online wealth management mobile application that leverages a robo-advisory solution to seamlessly integrate human advisory services with FinTech innovation to deliver personalised wealth management solutions at low cost, hereby removing the barriers to investment management and portfolios that were traditionally reserved for HNW investors
- Provides access to personalised financial documents such as income and expense statement, balance sheet and strategic asset allocation statement in an organised manner, allows financial health check, provides a tailor-made roadmap to financial freedom and a custom-made action plan with strategies to achieve it
- Conducts online consultation sessions with a dedicated wealth manager

#### StashAway
- A digital wealth management service provider that combines personalised wealth management and financial planning services through its data-driven investment framework to offer globally-diversified portfolios
- Platform analyses financial assets, investment time horizon, and risk preferences to personalise customer’s portfolio through a systematic asset allocation strategy
- Launched an SGX-traded income-generating portfolio that aims to provide investors with an income of 3.75 percent and capital appreciation of 4.4 percent annually; the portfolio was listed among the top 10 new funds in 3Q19 by Citywire Asia
Despite an unequal distribution of income and wealth, strong growth in UHNWIs and e-wallet payments

Growing internet penetration

With an internet penetration of 68 percent, Indonesia has over 185 million internet users who are heavily concentrated in Jakarta and secondary cities in Java and Sumatra.\(^{156}\)

According to a survey by the Association for Internet Service Providers in Indonesia (APJII), internet penetration is 72 percent in urban areas, 50 percent in rural-urban areas and 48 percent in rural areas.\(^{157}\)

Mobile internet usage is also undergoing double-digit growth rates and currently stands at over 61 percent among the population.\(^{158}\)

68% Internet penetration in Indonesia, with a total of 185 million internet users in July 2020, as compared with 64 percent in January 2020.\(^{159}\)

60% Smartphone penetration, well above the Asia Pacific’s average penetration rate of 51 percent.\(^{160}\)
Growing UHNWIs, but preference for liquid assets

According to the Knight Frank Wealth Report 2020, Indonesia is ranked 45th globally in terms of UHNWI population and is further expected to grow by 57 percent over the next five years, the second-highest increase in Southeast Asia and the fifth-highest increase in the world.163

The rise of affluent individuals is expected to be driven by increasing employment levels, strong predicted retail investment growth and the government’s regulatory reforms aimed at boosting investments.

Total transaction value in digital payments projected by 2020 — expected to grow at CAGR of 15.7 percent between 2020–24.161

People with over US$1 million in investable assets (including their primary residence); expected to grow to ~33,000 by 2024164

In terms of investment preferences, Indonesian HNWIs are very conservative and prefer to hold the majority of their investments (89.9 percent) in liquid assets such as equities, mutual funds, deposits and bonds. However, deposits remain the top choice among retail investors, accounting for two-thirds of total liquid retail savings and investments in 2018.

This brings opportunity for the wealth managers to invest widely in liquid assets for their HNW clients and provides a scope for them to educate these clients to increase their investments in other assets as well.

Large unbanked population; high inequality in distribution of wealth

About more than half of the Indonesia’s population is unbanked or do not have access to financial services.

Moreover, about 82 percent of the adult population in Indonesia has wealth of less than US$10,000 and the share of the top one percent in the total household wealth is 45 percent, which is significantly higher by international standards.165

- The growth of wealth in the next five years is also particularly pronounced in the higher wealth bands, with the number of investors with liquid assets of US$3–10 million and US$10m+ forecast to grow at average annual growth rates of 10.1 percent and 9.3 percent, respectively, depicting the striking wealth inequality present in the Indonesia.166

This creates a wide range of opportunities for financial services to capture this huge untapped population and provide new offerings while keeping a strong focus on promoting financial inclusion.
Leading market for Islamic financing, with rising tech spend and focus on cross-border capabilities

HNWIs still prefer offshore wealth management; onshore wealth business being taken up by banks with retail presence

HNW and UHNW clients in the Indonesian market still have a strong preference for offshore banking, and with well established wealth management services in regional location such as Singapore, there are limited growth opportunities for onshore wealth management in Indonesia.

The Indonesian onshore wealth management market, however, is also emerging as an attractive proposition, especially being picked by banks that already have a retail presence.

This is mainly driven by the government’s tax amnesty programme of 2017 which pledged repatriation of offshore assets back to Indonesia, driving flows of US$6 billion out of Singapore alone in 2018.167

Capitalising on this opportunity, some of the already established foreign banks such as BNP Paribas and OCBC have launched their onshore wealth management and onshore private banking businesses respectively, particularly to attract the mass affluent customers.

Banks partnering with digital wallet players while catering to mass affluent segment

Banks in Indonesia are either introducing their own payment wallets or partnering with digital wallet players to compete with the existing leaders in this market and the emerging agile FinTech firms.

- Launched in 2016, Bank Tabungan Pensiunan Nasional’s e-payment wallet Jenius saw its users reach 1.6 million by June 2019, a 130 percent increase from June 2018.168
- Several other banks have introduced their own wallets, such as Go Mobile by CIMB and Sakuku by BCA, to compete with other e-wallet platforms in the market.
- In January 2020, CIMB Niaga collaborated with WeChatPay, giving entry to the first foreign payment service provider to operate in the market.

The attractive rebate mechanisms, reduced cost benefit and convenience offered by these wallets is expected to pave way for strong customer loyalty in mass affluent segment and set foundation for these wallets to provide other financial offerings, such as loans and investments, to give tough competition to traditional banks.

Opportunities for Islamic wealth management products

Indonesia has been a slow starter in Islamic finance. However, in the past few years, the mass affluent segment has developed a strong preference for Shariah compliant/Islamic banking. This has been further propelled by the initiatives taken by Shariah Financial Committee to support Islamic finance, including a partnership with Malaysia to strengthen its position as the largest Muslim markets in Southeast Asia.

The committee has also planned to digitise Shariah financial services, including a digital zakat platform and a Shariah compliant e-wallet. This would cater to the needs of the mass affluent segment of Indonesian wealth management market, resulting in more opportunities for banks to offer Islamic wealth management through digital platforms.

Improve clients experience through digitisation

The Indonesian wealth management market has largely been based on a manual and paper-based process. Internal systems at most local banks are still lagging and many internal product teams do not have sophisticated tools to create customised mandates, conduct back testing efficiently and offer analytics to their customers in a visually appealing yet insightful manner.

Banks have been taking steps to enhance investors’ experience, one of which includes digitising the entire investment advisory process on portable devices such as iPads and ensuring the investment risk ratings correspond with investors’ risk appetite.
Government promoting digitisation with a focus on governance and consumer protection

In recent years, Indonesian regulators have been trying to achieve balance between innovation and maintaining regulatory guidelines that ensure consumer protection. While the Central Bank is focusing on strengthening the payment system, the Financial Services Authority of Indonesia (Otoritas Jasa Keuangan or OJK) has been introducing laws to support FinTech growth and digitisation, providing FinTechs and banks with ample opportunities to expand their digital capabilities.

Revamping the payments landscape

In May 2019, Bank Indonesia introduced a blueprint for 2025 Payment System. It aims to promote digitalisation in banking and interlink FinTechs with the banking sector, as well as to balance innovation and consumer protection, and safeguard national interests in cross-border transactions. The Blueprint covers five initiatives:

- Modernising retail payment infrastructure with integrated payment interfaces. For instance, adopting national payment gateway BI-FAST for all transactions
- Strengthening the existing money market infrastructure
- Developing a data management infrastructure by establishing a digital payment ID system and a payment data collection hub
- Revamping formal framework to create more structured, adaptive and futuristic payment ecosystem
- Standardised implementation of Open Banking

Allowing digital banking services

In August 2018, the OJK permitted commercial banks to provide digital banking services through distribution channels.

- There has been a rise in the number of digital banking service providers —such as BTPN Jenius, DBS Digibank, Senyumku Amar Bank— but the authority to provide such services is limited to conventional banks.
- The regulatory body has made a disclosure regarding fully virtual banks, but the formal framework is yet to be drafted.

In January 2017, the OJK directed banks to set up digital branches to facilitate digital banking transactions. However, the authority was limited to the banks that had digital banking capabilities.
Increased collaborations with regulatory bodies to promote FinTechs’ development

In August 2020, the OJK signed a financial technology cooperation agreement with the Securities Commission of Malaysia (SC) to establish a framework that promotes development of a FinTech ecosystem. Since 2017, the SC has established agreements with six global regulators such as the Hong Kong Securities and Futures Commission, the Monetary Authority of Singapore and the Australian Securities and Investments Commission.

Balanced approach to promote FinTech growth

In September 2018, the OJK announced Digital Financial Innovation rules that focus on supervising FinTechs to maximise gains from the growing sector. The idea is to create innovations that are responsible, prioritise consumer protection, and have well-managed risks. They also intend to support innovative, fast, cheap and easy financial services and increase financial inclusion.

- OJK launched an online registration system – Electronic Gateway for Digital Finance Information Systems – to create an efficient way to monitor FinTechs’ development.
- It also established a Regulatory Sandbox, a testing mechanism for products and services developed by FinTechs, facilitating interactions between the providers and monitoring development and product evaluation before launch.
Opportunities for foreign players as domestic players lag in offering digital wealth management services

Rise in foreign players entering the market

The total mass affluent population in Indonesia has been rising in the past few years. To capitalise on this opportunity, foreign (global and Asian) banks and wealth management firms are setting up operations in Indonesia.

- In September 2019, Singapore-based UOB acquired a 75 percent stake in Jakarta-headquartered PG Asset Management.
- In April 2019, Lombard Odier formed a strategic partnership with Bank Mandiri to develop its private banking arm through investment and family services.

Moreover, domestic banks have relatively less developed offshore infrastructure, leading to players such as DBS, Citi and OCBC to act as one-stop shops for offshore banking needs.

Opportunities for new digital financial service offerings

Indonesia presents one of the largest opportunities for new digital financial services offerings in Southeast Asia, due to the high proportion of unbanked citizens along with a growing internet penetration.

Sensing this opportunity, multi-service tech platforms and e-commerce players such as Gojek, Bukalapak and Tokopedia have started offering investment products on their platforms, as consumers spend most of their time on these platforms.

To combat this rising trend and to cater the ever-growing demands from increasingly sophisticated HNWIs, traditional banks should also focus on building digital wealth capabilities such as dedicated wealth management platforms, robo-advisory, invest in technologies like cloud services and Big Data analytics, and partner with emerging FinTechs to reach new and young customers.
Comparison of digital capabilities and offerings by leading players for HNW clients

In Indonesia, foreign players (global and Asian) are far ahead of domestic banks when it comes to offering digital services in wealth management. They are capitalising on their already existing digital capabilities to provide services in Indonesia. However, domestic banks are planning to enhance their digital capabilities in the near future, especially by leveraging data analytics to offer suitable service solutions that fit customer profiles and needs.

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<tr>
<th>Digital capabilities</th>
<th>Bank Mandiri</th>
<th>BCA</th>
<th>Citi</th>
<th>DBS</th>
<th>HSBC</th>
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Source: KPMG analysis based on data from company websites and annual reports

Leading traditional banks
Leading wealth management platforms
Banks should focus on partnering with digital wallets and launching their own robo-advisory wealth solutions

Recommendations

Banks should continue to invest in technology and wealth capabilities by launching new digital products and services that leverage advanced data-driven technologies such as AI and Big Data analytics, targeting the growing mass affluent and HNW clients in Indonesia.

They can also look at collaborating with firms offering digital wallets or digital platforms to deliver Islamic wealth management products, particularly targeting the mass affluent segment.

Banks should also look to combine digital and human capabilities to cater to the growing demand of sophisticated HNWIs in Indonesia for liquid investments over long-term wealth. The hybrid robo-advisory model will allow investment advisors and relationship managers to provide a personal touch in financial advice while educating the HNW clients about the benefits of longer-term investments.

Banks can also plan to provide digital trading options to their clients and expand trading across international markets.
Leading players and their digital wealth management offerings

Leading traditional banks

**Bank Mandiri**

**Description**
- Largest banking group in Indonesia in terms of assets, loans and deposits
- Embracing digital transformation through the deployment of cloud and AI technologies in partnership with Microsoft
- Added Mandiri Intelligence Assistant (MITA) feature, a chat application-based information service for various customer groups, especially millennials
- Offers Priority Banking Services that provide special services and independent Priority Relationship Managers to align financial growth with clients’ portfolio

**Digital offerings in wealth management and private banking or for affluent clients**
- Bank lags behind in digital revolution on wealth management; planning to develop a platform for core banking wealth management along with building capabilities for digital wealth solutions
- Selected the Avaloq Banking Suite from Swiss company that develops and provides software for core banking, to run its US$14 billion AUM wealth management division

**Bank Central Asia (BCA)**

**Description**
- One of the leading banks in Indonesia
- Offers Virtual Assistant (VIRA) to provide financial services using chatbot technology and machine learning
- Offers Priority banking for premium clients, and launched BCA Solitaire for HNWIs
  - Both services carry premium benefits such as exclusive banking products and services, communication platforms, and special, dedicated branches and lounges

**Digital offerings in wealth management and private banking or for affluent clients**
- Launched wealth management **BCA application, WELMA**, that facilitates investment product purchases such as mutual funds and bonds, as well as for education on insurance, via mobile device
- Plans to enhance the analytics capabilities of its relationship managers to provide suitable service solutions that fit customer profiles and needs
- Focus on developing data analytics and digital-based functionality to support wealth management service applications
Leading players and their digital wealth management offerings

Leading traditional banks

Citi

**Description**
- One of the largest foreign banks in Indonesia in terms of asset size
- Focus on delivering improved customer experience by using innovation and digitisation; continues to deliver a mobile-first mindset
- Citi Priority services provide a suite of services and product offerings tailored to meet clients’ wealth goals

**Digital offerings in wealth management and private banking or for affluent clients**
- Implemented **Total Wealth Advisory**, allowing customers to perform top-up, switching and redemption of the investment accounts, and update risk profiles through online channels
- **Wealth Management advisory platform**, assists clients by providing a better understanding of their financial needs, and accordingly strategise investment plans and manage wealth
  - Launched InvestIQ on its Wealth platform to enable clients to better understand how their personality could impact their investments
  - Launched ‘**Citigold On Your Terms**’, which offers wealth management services through digital banking services and financial solutions tailored specifically to customer aspirations

DBS

**Description**
- One of the more digitally advanced banks operating in the local market
- Focus on developing technological innovations, by presenting a variety of financial services in the Digibank application, ranging from remittances to wealth management that can be accessed anywhere and anytime
- Offers full suite of wealth capabilities to clients spanning their business needs, family legacy planning and cross-generational wealth management
- DBS Treasures and DBS Treasures Private Client offers personalised investments and wealth advisory services to affluent clients

**Digital offerings in wealth management and private banking or for affluent clients**
- **Digibank**, a mobile application, allows access to a range of digital banking services, from managing funds to growing funds
  - Features include daily transactions, wealth management, wealth development and wealth control using e-statements
  - Launched two new wealth products on its Digibank platform:
    - **Rekening Valas** which is a multi-currency account which provides 10 different currencies to the bank’s clients
    - **Obligasi Pasar Sekunder**, a secondary bond service, the first to be introduced by DBS in the region
  - Planning to launch more new products, such as online unit trust and a refreshed look-and-feel for the Digibank application
## Leading traditional banks

### HSBC

**Description**
- One of the largest banks in the market with an extensive domestic presence as well as the largest global network
- Focus on continuously developing and offering digital banking capabilities to its wealth management clients
- HSBC Premier and Jade offer banking products and services specifically designed to suit banking needs and habits of affluent clients

**Digital offerings in wealth management and private banking or for affluent clients**
- **HSBC Internet Banking** offers investment features for forex accounts, deposit account opening, mutual fund management, instant foreign exchange transfer, and portfolio management, along with a feature for e-SBN transactions
- **Wealth Dashboard**, an online wealth management platform with features such as portfolio overview, performance analysis, transaction history, watchlist product and daily market update along with evaluation of portfolio returns

### Standard Chartered Bank (SCB)

**Description**
- A leading foreign bank in Indonesia
- Offers mobile banking, online banking, video banking and SMS banking services to its customers
- Plans to deliver targeted offerings to leverage opportunities in addition Indonesia’s high-growth markets
- Priority Private offers a suite of personalized wealth solutions with exclusive privileges to affluent clients
- Straight2Bank onboarding portal allows digital account opening

**Digital offerings in wealth management and private banking or for affluent clients**
- **SC Mobile app** allows users to access and monitor their Mutual Fund portfolio performance online
Leading players and their digital wealth management offerings

Leading wealth management platform

Halofina

- A digital financial advisory and wealth management application that helps investors plan their financial goals and receive investment strategy recommendations using AI.
- Application provides various services ranging from financial planning, tracking, saving, investing for future financial goals, to financial consulting with professional financial consultants.
- Partnered with peer-to-peer lending platforms and marketplaces to invest in mutual funds and gold.
- Equipped with smart robo-advisory technology that provides investment recommendations automatically based on the results of analysis of the financial objectives and risk profile of each user.
Improving IT infrastructure, adoption of digital payment channels and a growing HNWI population

Improving IT infrastructure and internet penetration

Vietnam witnessed a 10 percent increase in internet users — about 6.2 million new users were added — between 2019-20. Overall, Vietnam’s IT infrastructure is gaining strength supported by government initiatives focused at improving internet coverage and speed.

70%

Internet penetration in Vietnam, with a total of 68.2 million internet users in January 2020

45%

Smartphone penetration in 2019, below the regional average penetration rate of 51 percent

2

In terms of internet speed in Southeast Asia, only behind Singapore
Shift towards online payments and digital wallets

Rising smartphone penetration, strong internet access and high adoption rate for digital payment channels coupled with the government’s initiatives to develop a cashless payment landscape have stimulated the growth of payments systems in the market.

Vietnam’s payment landscape has been evolving rapidly and according to a report by digital banking platform Backbase, its mobile payments are expected to increase 400 percent by the end of 2025.176

- The mobile payment space is dominated by five e-wallet service providers — Payoo, MoMo, SenPay, Moca, and AirPay.

Growing HNW population

According to the Knight Frank Wealth Report 2020, Vietnam is expected to witness one of the highest growths globally in its HNWI population, reaching 42,324 in 2024, making it the second-largest HNWI market in Southeast Asia.176

People with net worth over US$1 million (including their primary residence); expected to grow 65 percent during 2019-24177

Growth expected in UHNWI population during 2019–24 to reach 753 from 458 in 2019178

Vietnam’s HNWIs prefer real estate as the first choice for investment, followed by fixed deposits, gold, stocks and local cash markets, reflecting a potential opportunity for wealth managers to promote various solutions tailored to cater to specific client needs and behaviour.

However, Vietnam is witnessing increased migration as more HNWIs are opting to move to foreign nations that offer citizenship benefits, better civil rights and a better regulatory environment.

Impact of COVID-19

COVID-19 has acted as a stimulus to drive a rapid shift towards online payments.

- During January–March 2020, total online transaction value and payments experienced a growth of 124 percent and 76 percent, respectively.179

Encouraged by the government, the Vietnamese people have really taken to digital payments during 2020. This is a positive signal that the development of non-cash payments will go from strength to strength here in Vietnam.

— Ross Macallister, Lead Partner, KPMG Vietnam
Rising focus on technology and only basic developments in wealth management market

Increased investment in technology by banks

A recent banking survey revealed that about 70 percent customers in Vietnam believe that current banking services still operate on old systems with low digital integration.\textsuperscript{180} However, banks have actively started investing in technology, specifically in mobile channels, branch digitisation and process optimisation.

- According to a report by International Data Corporation and Backbase, Vietnam’s banking sector is expected to see significant digital transformation.\textsuperscript{181}

This increased focus on digitisation is mainly triggered by the shift in consumers’ preferences toward digital channels, evident by the rapidly increasing digital transactions in the market. It has also been supported by government initiatives to promote the development of the non-cash payment landscape.

- The government aims to reduce Vietnam’s cash transactions to eight percent of total payments by 2025. In 2019, cash transaction to total payment ratio stood at 11.3 percent.\textsuperscript{182}

However, there are certain challenges related to network security, customer trust and an inadequate legal framework, which are hampering digital transformation of Vietnamese banks.

- Previously, there have been multiple instances of cyber-attacks due to which banks have suffered huge losses. Also, security risks such as insider frauds, customer frauds, network attacks on bank infrastructure, and user data leakage have been increasing.

Wealth management market gaining some momentum

Although the wealth management market in Vietnam is in its nascent stage, it is gradually catching up with its ASEAN counterparts such as Thailand and Malaysia. The developing economy, growing middle-class and rising HNWI population present immense opportunities for wealth managers in Vietnam.

According to market experts, people are increasingly showing interest in bank-originated wealth management business, which has added about 75,000 customers in the last three years.\textsuperscript{183} Moreover, they believe a growing affluent class that is keen to invest more towards their future, gives a perfect opportunity to promote wealth management services.

However, there are certain roadblocks in the path of wealth managers. Vietnam’s stringent regulations on foreign participation hampers product development, and the resulting lack of investment options induces investors to focus on fixed deposits, which are less risky and simple to understand.

- Moreover, the high interest rate environment prevents wealth managers from achieving returns above risk-free rates, which makes existing financial instruments harder to sell.
Government taking initiatives to promote FinTechs, with focus on developing a cashless payment ecosystem

Vietnam lacks regulations that sufficiently stimulate capital markets activity, leading to slower growth of the wealth management segment in the market. Its FinTech regulatory landscape is also in the early stages of development. However, the Vietnamese Government has been stepping up efforts to put in place the necessary regulatory framework for the adoption of FinTech legislation and facilitation of the work of technology enablers.

Regulatory framework to promote digital banking

In December 2019, the government approved “The Information Technology development strategy of banking industry in Vietnam until 2025” and with the vision to implement it completely by 2030.

In line with this, the State Bank of Vietnam (SBV) has set an action program that includes:

- Completing a legal framework for digital technology operations and developing the application of key 4.0 technologies, including e-KYC, Open API, Big Data, AI, blockchain and cloud computing.
- Through this action plan, the SBV aims to achieve its target of 50 percent of banks successfully providing digital banking by 2025 and 100 percent of banks completing the digitalisation of traditional banking services by 2030.

In November 2019, the government released a draft decree to revise its anti-money laundering regulations, which also allows the financial institutions to conduct KYC without face-to-face meeting with the clients.

Plan to launch regulatory sandbox for FinTechs

The government has included FinTech regulatory sandbox in many masterplans, including the strategy for developing information technologies in the banking sector. Currently State Bank of Vietnam (SBV), under guidance of the government, is set to launch a pilot regulatory sandbox for FinTechs in the banking sector from 2021.

- The seven FinTech areas that are likely to participate in the sandbox are payment, credit, P2P lending, customer identification support, open API, tech-based solutions, and other banking support services.
- This will enable FinTechs to directly test innovative products and services in a closely controlled environment and reach the end market faster.
Measures to bolster non-cash payments

In September 2019, SBV proposed a Draft Decree to institutionalise electronic money, i.e., mobile money as a payment instrument that will help in ensuring transparency in financial transactions.

- The new regulation would provide a legal framework for mobile money businesses run by mobile network operators and would allow customers without bank accounts to use mobile money (which is not the case for e-wallets).

Regulations to strengthen cyber security in Vietnam

Vietnam’s new Law on Cyber Security came into effect from January 2019, and included provisions on data localisation, government control over online content, and setting up local offices in the market.

Under these provisions, both domestic and foreign players providing services in telecommunication, internet and value-added services online are required to store data of Vietnamese users in Vietnam.

- This is likely to reduce foreign investments as foreign players will have to increase their costs for setting up and maintaining storage facilities in Vietnam.

Relaxed foreign ownership restrictions

In 2020, the Government of Vietnam increased the limit on foreign ownership in domestic companies from 30 percent to 49 percent.  

- This limit was one of the primary reasons making the banking sector less attractive to foreign investors, and this move will broaden the investment scale for foreign investors and will help boosting the market’s economy.

Restrictions on investing outside Vietnam

Local investors from Vietnam are currently not allowed to invest outside of Vietnam. Asset managers are required to get approval from the Ministry of Investment Planning as well as approval from the Central Bank to send money outside Vietnam. This restriction results in limited product offerings for the investors and slower growth of the wealth management segment.
With incumbents lagging in wealth solutions, market offers growth opportunities for new entrants

Wealth management in a developing stage

In Vietnam, banks are more focused on providing retail banking services compared with wealth management and private banking. The regulatory environment and the capital markets are also not highly advanced to support the wealth management players to operate fully into the space.

Most banks are inclined toward improving customer experience through support from dedicated relationship managers and focus on helping clients with some of the basics of wealth management, such as the benefits of personal finance, goals-based investing, financial planning, and develop their propositions around that.

Apart from the banks, fund management firms such as Prestige wealth management and Vietnam Asset Management, are more active in this space, although even their wealth management solutions are in a nascent stage and yet to be as widely popular in the market as in the other more advanced markets in Asia.

Various foreign players such as BNP Paribas, Citibank and SCB have also entered into this space to cater to the wealth management needs.

However, looking particularly into HNWIs and UNHWIs, HSBC and SCB are among the first foreign lenders that have leveraged the opportunity in this market segment and ventured their own wealth management business.

Players at initial stage to offer WealthTech solutions

Since wealth management is not as highly developed in Vietnam as other markets in the region, the existing players here are yet to start offering wide variety of different WealthTech solutions and are more focused on providing digital solutions in retail banking. However, Techcom bank is emerging as a leading provider of digital wealth management with the launch of its robo-advisory solution and digital wealth platforms.

Moreover, in 2020, few more players have started collaborating with tech companies to introduce digital management services, for instance:

- In September 2020, Razer FinTech and Templeton Asset Management came together to develop digital wealth management platform, focusing to cater the need of youth and millennial customers.
- In July 2020, MB Bank partnered with Temenos Infinity Wealth to deliver digital wealth management services to Vietnamese private banking customers.
Comparison of digital capabilities and offerings by leading players for HNW clients

<table>
<thead>
<tr>
<th>Digital capabilities</th>
<th>BIDV Bank</th>
<th>MB Bank</th>
<th>Techcom</th>
<th>SCB</th>
<th>HSBC</th>
<th>Vietcombank</th>
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<td>Customer Features</td>
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<td>Portfolio statements view</td>
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Leading traditional banks

Source: KPMG analysis based on data from company websites and annual reports
Innovative and personalised offerings can enable banks to gain early movers benefit in a nascent market

Recommendations

Since Vietnamese investors are more inclined towards preserving wealth in the form of property investments, fixed deposits and gold, banks should focus on strengthening their connect with HNW clients in order to educate them and promote wealth management products.

Banks can introduce more innovative and personalised offerings to get an early mover’s advantage and capture significant market share in Vietnam’s nascent wealth management market where people’s interest towards bank-originated wealth management services is now gaining some momentum.

Given the growing favouritism for digital services in the Vietnamese market, banks should continue to invest in technology and wealth capabilities. They can launch their own payment solution or partner with existing players to take advantage of rapidly increasing adoption rate for digital payment channels. Also, banks can launch platforms that allow users to invest and park their excess money kept in digital wallets into liquid assets such as overnight funds, gold, ETFs, etc.

Given that there is lack of trust among customers over the region’s banks’ cyber security capabilities, foreign banks’ focus should be towards building trust by leveraging their brand image and their well secured banking environment.
Leading players and their digital wealth management offerings

Leading traditional banks

Bank for Investment and Development of Vietnam (BIDV Bank)
- Leading bank in Vietnam based on total assets
- In May 2019, piloted the ‘HNW customers’ advisory service with the investment products, including Private Wealth Management, Retail Corporate Bond, I-Invest, and I-Broker apps and Open-ended Fund Certificate

Military Commercial Joint Stock Bank (MB Bank)
- Fifth largest bank in Vietnam based on total assets
- In February 2020, introduced a wealth management unit, in association with a Swiss private bank, Bordier & Cie, to meet customers’ needs related to inheritance and estate planning, and insurance
  - Customised solutions based on each customer’s unique goal and risk appetite
- In July 2020, the bank integrated with Temenos Infinity Wealth to bring innovative wealth management services to investments market
  - Temenos’ cloud-native, API-first technology allows MB to be first-to-market with differentiated services for mass affluent, HNW and UHNW individuals in Vietnam’s untapped investments market

Standard Chartered Bank (SCB)
- One of the leading foreign players in Vietnam with a wide range of offline investment solutions
- Wealth management solutions include a wide range of products including structured deposits, foreign exchanges, loans, and mortgages, facilitated by latest market updates and advice brought to the clients by the experienced specialists

Techcom Bank
- One of the largest banks in Vietnam as measured by chartered capital
- TCIInvest, a modern robo-advisor system uses AI to update the rules of the market index and stocks by day of the week
  - Provides convenient investment experience and allows securities trading
- TCWealth, an online personal financial consulting tool, offers a variety of financial goals where users can choose and customise multiple goals to create a personal financial picture
- TCPrice price list uses experts’ analysis to recommend investors the appropriate stock portfolio for various investment needs
- TCAAnalysis allows investors to track prices and trade stocks
  - Uses tools and in-depth analysis to support customers in multi-dimensional analysis of markets and stock codes based on AI mechanisms
  - Allows digital account opening facility to the users of iWealth Investment
- TCBS, its subsidiary, upgraded customer service and experience for its wealth clients through e-KYC, e-Voting, e-Learning system, iXu system and iWealth chatbot
Leading players and their digital wealth management offerings

Leading traditional banks

**HSBC**

- One of the leading foreign players in Vietnam
- Premier clients receive specialist advice and financial planning support from a relationship manager allowing them to fulfil their financial goals
- Launched real-time inward remittance and online bill payment to enhance customer experience
- Introduced omni channel collections solution, to provide multiple payment options on a single platform

**Vietcom bank**

- Recognised as the most prestigious commercial bank for foreign trade in Vietnam
- In July 2020 launched digital bank service, VCB Digibank, integrating the bank’s online trading platforms. It is based on the combination of internet banking and mobile banking platforms with objective to provide a seamless and unified experience for customers on all types of electronic devices
- Through Vietcombank Fund Management—joint venture between Vietcombank and Franklin Templeton Investments—it provides portfolio management services and investment option to invest in open-ended funds
Appendix
Methodology

This report has been prepared by the Global Clients and Markets team at KPMG Global Services, India, and is purely based on the information available in the public domain obtained through secondary research.

It provides a comparison of the leading players operating in the wealth management and private banking space in eight key markets across Asia Pacific, namely Singapore, Hong Kong, mainland China, India, Australia, Malaysia, Indonesia and Vietnam. These players have been compared based on their digital wealth management offerings to understand the level of advancement in each market, while the markets have been evaluated on customer trends, regulatory environment and competitive landscape in this space, to identify opportunities across the region in digital wealth management.

The eight markets have been ranked on how evolved the wealth management and private banking space is in each market. These rankings are only indicative and have been based on several factors including digital advancements, the regulatory environment, a macro-economic view and key consumer trends.

Singapore emerged as a clear leader given its highly advanced infrastructure for wealth management (esp. offshore), strong government support and sophisticated digital capabilities among the players. It is followed by Hong Kong and mainland China, with the former having a well-developed IT infrastructure and favourable government initiatives, while the latter has a huge volume advantage with rapidly growing middle-class as well as HNWIs, but lags behind in government support and regulatory environment.

Similar to mainland China, India has a large mass segment as well as rapidly growing UHNWIs and a booming FinTech space, but has lower overall technology adoption in wealth management. Australia is ranked fifth as despite having a large millionaire population, it too has relatively slow adoption of digital wealth management in the country.

Except for Singapore, all Southeast Asian markets fall behind other peers in the list, both in terms of market size and digital wealth management adoption. Among them, Malaysia is witnessing rising tech spend and government initiatives stimulating digitisation in banking and capital markets. However, Indonesia and Vietnam still have a long way to go, as the former has a large unbanked population with limited digital wealth management capabilities, whereas the latter is more focused on digitising retail banking services.

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