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The Growing Demand for Better Wealth Reporting

Norman Jones, Chief Executive Officer – WealthTouch

Transparency is key to a healthy wealth manager-client relationship. Here, WealthTouch chief executive Norman Jones discusses evolving client reporting practices within Asia.

The losses incurred during the financial crisis by ultra high net worth families and individuals have caused many to become increasingly more involved with the management of their wealth. The scope and scale of the wealth loss has highlighted their need for timely, accurate and complete financial reporting. It also has resulted in greater pressure being placed upon financial advisors to provide better visibility as to the status of a family's wealth and how it is being managed, and help them better manage their risk.

The task is enormous as UHNW families have portfolios that span almost every asset class, are rich in alternative investments and complex financial instruments have many currencies – and most importantly, deal with many banks, custodians and managers. Creating a consolidated “dashboard” that is accurate and timely is a challenge.

As a result, advisory firms of all sizes, including private banks, particularly in the US and Europe, have been upgrading their client reporting capabilities to meet these demands. A comprehensive reporting solution is comprised of three stages: aggregation, reconciliation and the reports themselves. Working together, these components provide the necessary visibility families need to be confident that they know the true status of their assets so they can make informed decisions about them.

In response to globalisation, as well as the growing Asian financial services market and economy, the UHNW community in Asia is on the rise. The complexity of managing this wealth is rising about as fast as it is being created. Given the relatively low number of independent financial advisors in Asia and the general preference in Asia to utilise banks as the principal provider of financial services, Asian private banks are experiencing rapid growth and are now also under tremendous pressure to provide comprehensive reporting solutions to their clients.

While this is a relatively new requirement for Asian banks, many examples and trends can be taken from the US and Europe, where UHNW clients are multi-banked. In this environment, private banks have been long competing to be the “alpha” bank and are using aggregated client reporting as a competitive advantage. Through consolidated reporting, the alpha bank not only pleases a client by showing everything in one place, but they are also gaining very valuable insight on the “away” assets that other banks are managing. With knowledge comes great power; the alpha bank can very easily start to control investment strategy and gain share of wallet.

The challenge is how to implement cost-effective consolidated client reporting. Trying to aggregate, reconcile and report on away assets (in the US and Europe at least) on legacy systems is very cumbersome, highly expensive and can lead to large compliance issues if the reporting on a competitive bank is inaccurate. As a result,

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banks have turned to outsourcing to companies who can provide the service on a white-labelled basis, have independence and experience with aggregation and reconciliation, and can run the service cost effectively.

While aggregated reporting has become a competitive weapon in the US, there is a more fundamental movement afoot. The plain truth is that no bank I have met loves their reporting. And more importantly, most clients are confused or frustrated by their banks' love to spout data versus real information on their portfolios.

With nearly four years of under-investment in client reporting, many are now spending heavily on upgrading their reporting. If we look to examples of Asian adoption of technology in the past (like GSM), Asia has an opportunity to not upgrade current systems but instead leapfrog onto new, innovative platforms. This could provide a very interesting springboard for Singaporean private banks as they look to take market share from their Swiss peers.

February 10, 2011

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