Retooling in progress

Deutsche Bank is changing its 'backbone' to cater to high net worth clients who require more automation, says its Asia-Pacific head of wealth management

By Genevieve Cua

SCALE in Asia's private banking business is going to be paramount for those who aim to succeed, says Ravi Raju, Asia Pacific head of Deutsche Bank Wealth Management.

The rub is that in an industry where costs are rising and margins are thinning, the threshold for sustainable scale or critical mass is rising.

Says Mr Raju: "There is a reason for the consolidation in the industry. A lot of players who have announced a sale or merger are those who have not achieved scale in Asia.

"Ten years ago that scale was US$10 billion to US$12 billion. Now a bank with less than US$30 billion is probably making a loss in Asia... Five to 10 years down the road, if you have assets under management of less than US$50 billion you will again be a non-scale player. This is why a lot of banks are buying scale. Time will tell if they are able to retain the assets they've bought and the client advisers."

Singapore's private bank landscape has seen a number of mergers. The more recent ones include the acquisition of Coutts International by Union Bancaire Privee, and EFG's takeover of the troubled BSI.

With an eye on creating greater efficiencies and lowering risk, Deutsche Bank itself has reorganised its entire business as articulated in its Strategy 2020 vision. Wealth management used to be combined with asset management as a single business unit. Today, wealth management forms a business unit with private and commercial clients.

Asia-Pacific in particular will be the focus of an expansion of Deutsche Bank's client base, which has traditionally been ultra high net worth individuals and families. The ultra wealth space is defined as those with investible assets of at least US$20 million, banked in Deutsche Bank. Now the bank is setting its sights on the segment of wealth that sits below the "ultra" space, which it defines as those with investible assets of US$5 million to US$20 million.

Mr Raju says the bank has cultivated the ultra wealthy segment for more than a decade with bespoke advisory and services. "In Asia-Pacific we want to continue to grow our strong franchise with a universal banking model. We have a strong investment bank and M&A (merger and acquisition) capabilities. Asian entrepreneurs and business owners spend 99 per cent of their time trying to grow and take their businesses international.

"We tried to identify those clients who can benefit from our one-bank strategy. While we offer private banking, we can also be meaningful to the entrepreneur in his commercial business. If you can capture share of mind, you can hopefully capture share of wallet."

Catering to the traditional private client who is wealthy, albeit less so, requires a "retooling" of Deutsche Bank's infrastructure, starting with its digital platform. The bank is investing in technology that will allow a greater degree of automation, for instance, so clients can access information quickly and eventually transact through their devices. The result is a greater degree of standardisation. Model portfolios, for instance, will be available.

All these may sound like par for the course in private banking; any large bank would already have rolled out their digital offerings. Mr Raju says: "The very ultra high net worth clients want to talk to people. They have smart phones but don't transact on them. The next layer of high net worth clients requires more automation. It's already done by many; it's a catch-up. That's what I call retooling; we're changing our backbone, our mainframe system."

Digital services are expected to be rolled out gradually over six to nine months.

The bank also plans to step up hiring, taking on 25 new relationship managers (RMs) every year. To date its staff of 150 RMs has been "quite steady in the last 10 years". "Our assets under management have grown three times over those 10 years. The people we have are very familiar with ultra high net worth clients' needs.

"But for the high net worth market, we need to train people in more classical private banking rather than customised, with more standardised products. We're going through a retraining exercise."

He is looking to hire talent from local universities in Asia, as they will be more steeped in the local culture and industry, and more likely to be better able to communicate with clients. "For us the front office is the first line of defence in issues relating to KYC (know your client) and AML (anti-money laundering). We look for those who understand from the cultural perspective where Asia comes from."

He expects a number of trends to continue to be pivotal for the industry. One is the challenge of scale. Another is the unrelenting pressure for transparency not just in terms of products sold to clients, but also in terms of tax compliance. More than 90 countries including Singapore have committed to common reporting standards – that is, an international system for the automatic exchange of financial information.

"It's going to be a level playing field, without boutique banks doing suitcase banking. That's good for the industry, for clients and the country. Technology and transparency will be common. So what do we compete on?

"Clients want an international portfolio and need a network across the globe. We have a universal bank with research people sitting in countries that allow our wealth management CIO (chief investment officer) to have insights that are unique. Through those insight we manage portfolios and give recommendations to clients."

The current economic slowdown may cast a pall over wealth creation. "The emerging markets are growing well, but internationally there is uncertainty and not much growth. We need to modulate our strategy. This is a good time to take less expectations from Asia's growth, but slowly invest into it. When growth comes back, we're ready.

"The macroeconomic forecasts show the world to be growing much more slowly. It will be an issue for us to grow revenues and we have to control costs. But we will invest in places that have a good future. Asia is one of those places we want to invest in."

PHOTO: DEUTSCHE BANK

'While we offer private banking, we can also be meaningful to the entrepreneur in his commercial business. If you can capture share of mind, you can hopefully capture share of wallet.'