Wealth management 2.0: a new wave of digital upheaval

The UAE is emerging as one of the leading destinations for wealth management and private banking globally, driven by a burgeoning HNWI (high net worth income) population that demands technologically advanced and highly customized banking and management solutions. Goncalo Traquina offers insight on trends and recommendations for financial institutions.

The UAE's positive post-Covid, pro-investment regulatory environment has been attracting a large amount of capital from around the world. The country is the largest wealth management center in the region, with approximately 83,000 millionaires living in the country and AuM (assets under management) of approximately USD 110 billion, followed by Israel with AuM of approximately USD 95 billion.

Over the past 20 years, the UAE has been one of the world's biggest recipients of migrating HNWIs.[10] As per New World Wealth's estimate, more than 35,000 HNWIs have moved to the Emirates over this period (2000 to 2020).[11] Many of these individuals have come from India, the Middle East and Africa, attracted by its excellent healthcare system, stable political system, comparatively low tax rates, status as an international business hub, luxury lifestyle offerings, superior shopping malls, and good international schools.

These individuals are looking for highly-personalized advisory solutions from technologically sound advisors, and advanced platforms and features, to help them manage their family wealth and succession plans.

Emerging market opportunities

As digitalization has reduced client retention costs and improved access to their capital, clients with low amounts of investment capital – who have never been considered highly important by wealth managers – now collectively form a key potential market. As a result, most of the incumbents are working on strengthening their wealth management businesses. In the short term, banks are expecting growing competition from two types of technologically advanced players: emerging WealthTech firms that are developing advanced B2B and B2C digital solutions, and challenger banks – neo banks and payments firms.

As seen in other regions, for instance Singapore and Hong Kong, it is expected that regional banks will introduce a wide range of integrated financial services offerings, and tap into their large, existing client base and local presence to retain market share in wealth management and private banking. However, with the growing threat of digital banks, these incumbents are likely to try to expand their digital offerings and channels, investing in emerging FinTechs and upgrading in-house capabilities.

Large international banks also have a strong presence in the region and are attractive due to their global capabilities and access to international markets and products. These banks are expected to increase their focus on wealth management and private banking, and seek to scale up and expand to neighboring markets in the region.

Unlike traditional banks, most FinTechs will focus on developing specific, targeted offerings. With supportive regulations from the CBUAE (Central Bank of the United Arab Emirates), ADGM (Abu Dhabi Global Market) or DIFC (Dubai International Financial Centre), these will rapidly grow in number, particularly in the payments and WealthTech space. However, with a lot of their solutions being B2B, most of these firms will be emerging as potential partners and tech solution providers to the incumbents, instead of pure competitors.

In Asia, governments are extending FS (financial service) licenses to non-FS players. Local (e.g. Alibaba and Tencent) as well global (e.g. Google and Amazon) tech giants are targeting the region's FS sector using payments as the gateway. The UAE may follow the same path as the CBUAE launches new licensing for the payments providers – the Retail Payment Services and Card Schemes (RPSCS) Regulation.[12] Although these firms will take time 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 competitive position.

The Central Bank of the UAE recently granted an in-principle approval to launch Wio, a new digital banking platform headquartered in Abu

Dhabi. Wio will offer customers in the UAE a fully digital banking choice. A beta version will launch soon, catering to small and medium-sized businesses. The digital banking platform's primary shareholders ADQ and Alpha Dhabi own a combined stake of 65 per cent. Additionally, Etisalat holds 25 per cent, and First Abu Dhabi Bank (FAB), holds ten per cent.[13]

Major regional trends

— 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 available to investors and 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 AuM.

— Increased focus on leveraging big data analytics: The wealth management and private banking segments, like the retail banking sector, are witnessing a rise in investments in big data analytics. Banks may gain insight about client diversity, events that drive revenue and loyalty, client behavior, financial attitude and investment motivation. They can use payments and spending data to predict investment patterns, and mine data for new prospective clients.

— Strengthen digital tools, capabilities of relationship managers: As digitalization 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. Banks can look to develop or acquire several features offered by FinTechs to support financial advisors. These include easy to use dashboards, processing live and historical data to generate talking points for client meetings, storytelling tools for better and effective video interactions, better data visualization tools, voice-to-text technologies to speed up post-discussion call notes, and AI, machine learning and analytics to help boost recommendations.

— Integrate trading services into their online platforms: Given their wider product offerings vis-à-vis wealth managers, most leading banks offer trading services on their digital platforms. 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. Trading-related news alerts (tailored as per banks' portfolios), providing detailed market analyses, can be leveraged to match leading practices.

Recommendations for banks

To tackle the intense competition foreseen in the regional wealth management market, banks must:

- increase their online offerings
- partner with more FinTechs for advanced solutions
- strengthen the digital capabilities of their advisors and possibly form their own virtual banks
- develop a smoother digital onboarding mechanism for wealth management and private banking clients
- enable quicker account opening by utilizing Artificial Intelligence (AI) technologies.
- facilitate the virtual interactions of relationship managers (RMs) with clients – leveraging live video calling, screen and document sharing and trainings for RMs to conduct one-on-one sessions and group-wide webinars.
- develop new digital products that align with the demands of current and future clients, taking into consideration changing investment strategies and risk appetites.

By making the latest market insight and advisory tools available to RMs, banks can help in the delivery of more impactful advice to clients. This can be achieved using intuitive dashboards, live data processing, voice-to-text technologies and data visualization and storytelling tools. Partnerships and investments in upcoming FinTechs and WealthTechs in the region may also leverage banks' advanced solutions for internal operations and client offerings.

From basic price and stock alerts to more detailed recommendations, banks need to enhance the existing range and quality of alerts being shared with clients, as well as augmenting the current level of access offered in trading — e.g. including securities in different currencies across more exchanges in various markets. Lastly, banks will do well to customize propositions and digital channels to cater to the needs and expectations of younger generations, who are more tech-savvy and prefer self-service investment platforms.

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