

# **Wealth management and financial advisory services in the Asia-Pacific region**

**Dr Lujer Santacruz**

School of Commerce  
University of Southern Queensland  
West Street, Toowoomba  
Queensland 4350 Australia  
Email: [santacru@usq.edu.au](mailto:santacru@usq.edu.au)  
Phone: +617 4631 1574

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## **1. Introduction**

The present paper is an industry study of wealth management and financial advisory services in the Asia-Pacific region, recognising the strong growth in personal wealth in this region. It aims to gain an understanding of the structure of the industry, current directions and opportunities thereof. The paper starts with a look at the wealth management and financial advisory services industry in the US, on which the practices in other countries are patterned and given that US financial entities are major players in the Asia-Pacific region. Examining the US industry is also a good way of introducing the terminologies used in the industry worldwide. The paper then examines the industry in Australia, which has a relatively well developed financial advisory environment before examining the industry in other major Asia-Pacific countries. For each country, the paper looks at the industry participants and the regulatory environment. Finally, the paper examines the general trends and directions that impact the industry and identifies potential opportunities.

## **2. Literature review**

There appears to be a dearth of academic papers on the topic of the present paper, which is an examination of the wealth management and financial advisory environment across various countries. There are some papers focusing on the industry in a particular country such as the development of financial planning as a profession amidst government regulation in Australia (Cull, 2009) and attitudes toward retirement in Singapore (Gurd and Or, 2011) or in a few countries such as the industrial organisation and institutional development of the asset management industry in Asian developing economies specifically China, Indonesia, Korea, Malaysia, Singapore, Philippines, and Thailand (Walter and Sisli, 2007).

On account of this dearth, the present paper will rely on published reports, white papers, websites of organisations as well as articles in trade magazines. Referring to the last item, it can be argued that these articles are based mainly on interviews with senior executives and decision makers who have a good knowledge of the workings of the industry and have credence. It is hoped that the present paper will help in addressing the apparent gap in literature by starting academic discussion in this area.

### **3. The financial advisory industry in the United States**

#### **3.1 Overview**

Wealth management and financial advisory services can be defined as the business of managing or providing advice on investment portfolios or individual assets for compensation. They are one of the main offerings of the broader financial service industry and generates a considerable share of its revenues. They are also one of the fastest growing and most profitable sectors of the financial services industry and this could be attributed to the following factors: the tremendous growth in assets under management, the globalisation of capital markets, the proliferation of investment alternatives, changes in client demographics and rapid advancements in information technology (ComptrollersHandbook, 2001). The dramatic increase in the number of wealthy individuals in recent years have led to an increasing demand for sophisticated financial expertise worldwide.

The industry serves two main categories of clients: institutional investors and personal investors. Institutional investors include pension funds, investment companies, banks, insurance companies, business entities and governmental bodies. The investment management considerations are significantly different for an institution compared to those for an individual investor. Some of the additional factors that need to be considered are the nature of the institution's fiduciary obligations to its stakeholders, its taxation status and other legal and regulatory requirements. Personal investors have characteristics, circumstances and opportunities that are more diverse. Their investment managers also need to integrate other aspects such as estate planning, tax planning and insurance management into the investment program and work with other relevant professionals to accomplish a client's financial goals. Unlike institutional accounts, personal accounts often involve different generations, and investment strategies therefore need to address multiple objectives and investment time horizons (ComptrollersHandbook, 2001). The present paper will place more emphasis on personal investors.

#### **3.2 Industry participants**

The wealth management and financial advisory service business is very competitive in nature with many different types of service providers. Banks play a dominant role in the industry, with their operations generally categorised into private banking and investment banking.

##### **Private banking**

Private banking involves providing a wide range of individually tailored financial services, most commonly to high-net-worth individuals or those with investable assets of at least USD1million, hereinafter referred to as HNWI's. The varied services that a private banker may be asked to provide for clients include general investment advice, portfolio management, currency exchange services, taxation planning and estate planning, in addition to regular banking services. A private banker acts as a personal

financial adviser and therefore needs to be excellent at establishing relationships and trust, familiar with a broad scope of services and investments and able to ascertain the clients' financial goals, investment preferences, risk tolerances and any other personal aspects that can assist him in providing appropriate financial advice. In recent years, financial institutions have been strengthening their private banking side as a way to establish more stable revenues in favour of the less consistent revenues from investment banking services (Maverick, 2015). The publisher of Euromoney conducts an annual global survey for best private banking and UBS, JP Morgan and Credit Suisse have consistently ranked among the top three (Euromoney, 2017).

### Investment banking

Investment banking primarily involves providing financial advice and services to corporations and other organisations. These services include organising debt and equity financing deals, handling mergers and acquisitions, managing stock splits and share buybacks, restructuring debt and conducting initial public offerings, among others. While private bankers excel at establishing relationships and trust and providing personal advice, investment bankers are strong on business financial management and negotiation skills and on understanding the nature of businesses and the industries in which they operate (Maverick, 2015).

### Private wealth manager

Wealth management is a high-level professional service that combines financial advice, investment management, accounting and tax planning services, retirement planning and estate planning under one service contract. It is broader than just investment advice, as it can involve other aspects of an individual's financial situation. Instead of trying to integrate pieces of advice and services from various professionals, HNWIs, entrepreneurs and families are able to benefit from a holistic approach in which a single professional coordinates all the services needed to manage their finances, enhance their tax-favoured income and increase their wealth. Wealth management services can be provided by large firms, independent financial advisers or multi-licensed portfolio managers (Investopedia, 2017b). Some specialised wealth managers to ultra-high-net-worth individuals (UHNWIs) or those with investable assets of at least USD30million have the particular role of avoiding the payment of income and transfer taxes using legal and financial expertise. Based on interviews over a seven year period with 65 wealth managers in 18 countries, a book documented the use of offshore financial centres most effective in preserving the assets for the multi-territorial client and multi-layered trust structures that make less clear the beneficial ownership of assets for tax benefits. The author contends that the drive of UHNWIs to avoid taxation not only drains revenues of the offshore and home countries but also may sow the seeds of challenge to democratic institutions (Harrington, 2016).

### Family office

Family offices are wealth management firms that serve UHNWIs. They are different from ordinary wealth management practices in that they offer a holistic but outsourced solution to managing the finances of an ultra-affluent individual or family. This may include budgeting, insurance, charitable giving, family-owned businesses, wealth transfer and tax planning services. It requires a well-coordinated effort by a team of various professionals from the legal, insurance, investment, business and tax disciplines. Most family offices combine asset management, cash management, risk management, financial planning, lifestyle management and other services to help each family navigate the complex world of wealth management. There are single family offices that serve one ultra-affluent family and multi-family offices that are more similar to ordinary wealth management practices in terms of seeking to build their business upon serving many clients (Investopedia, 2017b).

### Investment manager

An investment manager (also referred to as money or portfolio manager) is an individual or an organisation that makes investments in various securities on behalf of clients, in accordance with the latter's investment objectives and parameters such as risk tolerance. An investment manager may be responsible for all activities associated with the management of client portfolios including formulation of asset allocation, buying and selling securities, settlement of transactions, portfolio monitoring and rebalancing, performance measurement and regulatory and client reporting (Investopedia, 2017b). Investment management is typically non-discretionary, where wide investment advice is provided but the client's approval must be obtained prior to actually buying or selling assets. The clients' portfolios can be treated as either separately managed accounts or as commingled investment funds (ComptrollersHandbook, 2001).

### Discretionary investment manager

Discretionary investment management is where the manager has full authority to buy and sell assets and execute transactions for the client's account, in addition to providing investment advice (ComptrollersHandbook, 2001). Day-to-day investment decisions are made at the investment manager's total discretion and this requires the client's complete trust and confidence on the investment manager along with a compensation scheme that aligns the interests of both parties. Discretionary investment management requires extensive experience in the investment industry and advanced educational credentials such as the Chartered Financial Analyst (CFA) designation. Discretionary investment management is generally only offered to HNWI's, with the main benefit of being freed from the burden of making day-to-day investment decisions. It may also ensure that the client has access to good investment opportunities and with the right timing through the investment manager (Investopedia, 2017b).

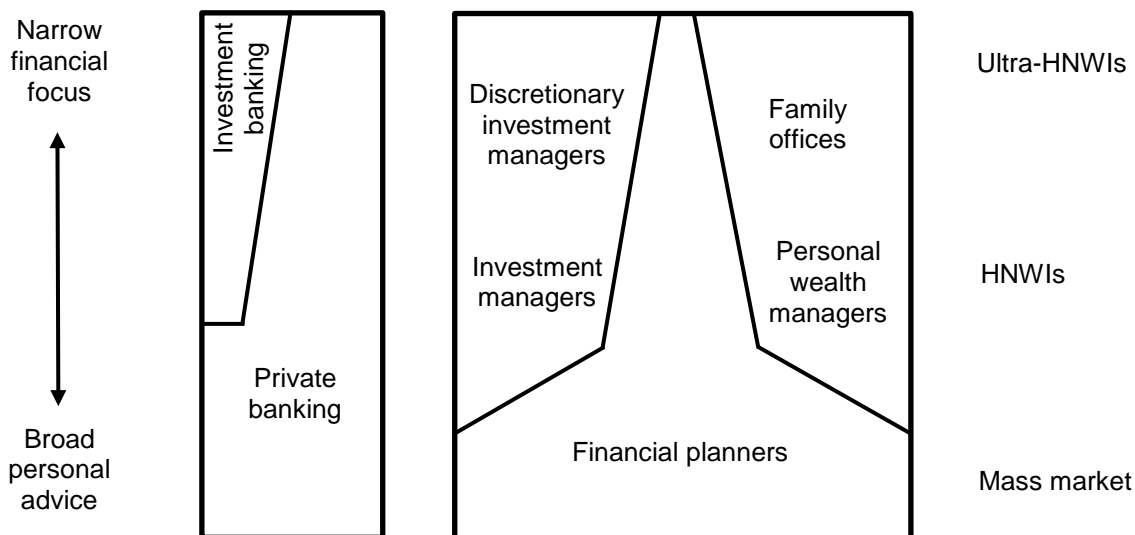
### Financial planner

The industry licensing group defines financial planning as the process of determining whether and how an individual can meet life goals through the proper management of financial resources (CFPBoard, 2017). An academic paper also defines financial planning as a process that takes into account client’s personality, financial status and the socio-economic and legal environments and leads to the adoption of strategies and use of financial tools that are expected to aid in achieving the client’s financial goals (Warschauer, 2002). A financial planner is a qualified professional who advises individuals by analysing their financial situation, goals and risk comfort levels and setting a program to achieve their financial objectives. After the original financial plan is developed, the adviser meets regularly with the client to update personal situation and goals, review and rebalance the financial portfolio and investigate whether additional services are needed with the goal of remaining in the client’s service throughout his lifetime (Investopedia, 2017a). Financial planning is holistic advice as it covers not just investment planning but also other personal aspects such as budgeting, debt management, tax planning, insurance, retirement planning, social security and estate planning. The focus on personal finance and usually around retirement planning provides financial planners with a wider mass-market base that are not limited to HNWIs.

### Summary

The industry structure can be summarised in Figure 1. As shown in the figure, financial planners are involved in broad personal advice targeted towards the mass market. Personal wealth managers and investment managers are targeted towards higher-net-worth individuals with greater focus on financial issues. Private banking covers all markets with investment banking primarily serving UHNWIs.

**Figure 1:** The industry participants and their respective niches





### **3.3 Regulatory environment**

Licenses are required to provide investment advice. The investment management organisation should have a compliance program to monitor compliance with law, internal policies, risk limits, internal controls systems and client documents (ComptrollersHandbook, 2001). In addition to educational qualifications, generally requiring university education, there are various designations required to practice in a particular specialisation.

Among financial planners, the Certified Financial Planner (CFP) designation is the widely accepted credential initially in the US and then globally. CFP designees meet initial and ongoing education and experience requirements, pass a rigorous competency exam and adhere to a code of ethics which require financial planning to be provided in the interests of clients and with the highest standards. The CFP Board owns the CFP marks within the US while the Financial Planning Standards Board (FPSB) owns and administers the CFP mark outside of the US through country chapters. There are currently over 170,000 CFPs globally in 26 countries committed to excellence in financial planning to benefit clients and to support the emergence of financial planning as a distinct profession (FPSB, 2017).

Another designation but in smaller number is Registered Financial Planner (RFP), when the financial planner is registered with the Registered Financial Planner Institute (RFPI) (Investopedia, 2017a). The RFPI was formed in the US around the same time as the CFP Board and is now an international organization with chapters and members in some countries around the world (Khare, 2017).

In the US, financial planners must be registered as an investment advisor first by passing the Registered Investment Advisor Exam. A financial planner will be registered with the State if they have less than USD25 million in assets under management and with the SEC if they have more than USD30 million in assets under management. In some places, employees within a Registered Investment Advisor firm such as a bank or an insurance company may be exempt if providing complementary financial planning services in relation to their existing products and services (Khare, 2017).

The Personal Financial Specialist (PFS) designation was established for Certified Public Accountants (CPAs) in the United States who specialise in financial planning. The Chartered Financial Consultant (ChFC) is another financial planning qualification, conferred by The American College, that has also spread to some Asian countries such as Singapore, Malaysia, Indonesia, China and Hong Kong. Globally, the Chartered Wealth Manager (CWM) is one of the fastest growing financial planner designations and is conferred by the American Academy of Financial Management in 145 countries (Khare, 2017).

The Chartered Financial Analyst (CFA) designation is the most widely recognised credential for finance professionals, numbering more than 132,000 worldwide. The training program and examinations are run

by the CFA institute that also has chapters or societies in other countries (CFAInstitute, 2017). The Certified Investment Management Analyst (CIMA) designation is the international education and licensing program designed for investment management professionals. Sitting between the CFA and the CFP designations, CIMA is the peak, specialist certification for anyone involved in constructing investment portfolios. There are currently more than 7,000 CIMA designees globally. The CIMA designation is owned by the Investment Management Consultants Association (IMCA), the global professional association for advanced investment and wealth professionals (IMCA, 2017).

## 4. The financial advisory industry in Australia

### 4.1 Overview

Australia’s investment management industry is the largest in the Asia-Pacific region and sixth largest in the world as shown in Figure 2. The key drivers of the growth and strength of the industry are the country’s universal and mandatory pension system known as superannuation, a growing high-net-worth and retail investor sector, expanding financial markets, efficient financial system and regulatory environment, strong presence of leading global financial institutions and a resilient economy (Austrade, 2017). As there are no drastic reversals expected among these drivers, Australia can be expected to remain a major player in investment management. The wealth management and financial advisory industry in Australia is closely intertwined with investment management in general either as a service provider or as a distribution channel for managed investment products.

**Figure 2:** The size of Australia’s investment management industry

#### GLOBAL SIGNIFICANCE OF AUSTRALIA’S INVESTMENT FUND ASSETS POOL

Investment fund assets excluding funds of funds<sup>1</sup>, US\$ billion, December quarter, 2016



(Source: Australia’s Managed Fund Update 2017, Austrade)

### 4.2 Industry participants

There are currently four professional bodies involved in the practice of personal financial planning as a profession in Australia. The main one is the Financial Planning Association (FPA) of Australia that has around 12,400 members approximately 5,500 of which have CFP designation (FPA-Australia, 2016).

There is another smaller group, the Association of Financial Advisers (AFA) that has its own peak designation called Fellow Chartered Financial Practitioner (FChFP) (AFA, 2017). In addition, there are the two main accounting bodies, CPA Australia and the Institute of Chartered Accountants in Australia (ICAA) that both have Financial Planning Specialist (FPS) designations that allow some of their members to provide personal financial planning services. All these bodies have professional practice standards for their members as well as their own self-administered educational programs in addition to accredited programs offered by Registered Training Organisations (RTOs) and universities (Cull, 2009).

The industry bodies have been working over the years to increase the level of professionalism supported by government legislation (e.g. recently, the banning of commissions for most financial products and introduction of new education standards). A recent study based on interviews with 226 firms shows a clear move towards professionalism within financial planning with 62% of practices deemed healthy according to a standard rating scale, 96% of practices now member of a professional association, 71% have at least half their total revenue now generated through fees as opposed to commissions and 42% of practices have majority of their advisers qualified with a professional designation like CFP (Bell, 2017).

The other level of financial advisers, investment managers, are involved in professional asset management in order to meet specified investment goals for the benefit of investors. These investors may be institutions (e.g. pension funds, insurance companies, corporations, charities) or individuals. Investment managers who specialise in discretionary management on behalf of HNWIs also refer to themselves as personal wealth managers or money managers, often within the context of private banking. Australian pension funds, locally known as superannuation funds, account for a major share of the investment management market (Austrade, 2017).

### **4.3 Regulatory environment**

Financial advisory services is now a highly regulated industry in Australia especially where advice is provided to individuals (Khare, 2017). The Australian Securities and Investments Commission (ASIC) administers a licensing regime under which financial service providers are required to hold an Australian Financial Services Licence (AFSL) and meet various compliance, conduct and disclosure obligations. In the spirit of consumer protection, where an AFSL holder provides services to retail clients, significant additional obligations apply (K&LGates, 2013). As the requirements for obtaining and maintaining an AFSL are quite demanding, individuals with the appropriate educational qualifications provide financial services as an authorised representative of an AFSL holder which are usually large corporate entities (e.g. banks, insurance companies) (ASIC, 2017). There are currently around 24,000 authorised representatives (majority of which are financial advisers) under more than 7,000 practices licensed through more than 1,500 AFSLs (AdviserRatings, 2017). Compliance is one of the major concerns for financial advisers, who report that around one-fifth of their time is spent on this (WealthInsights, 2017).

Recently, the government formed the Financial Adviser Standards and Ethics Authority (FASEA), tasked with setting the new educational standards legislated to commence 1 Jan 2019. Some of the feedback that this standard-setting body will need to address are that technical knowledge alone is not sufficient, that clients value interpersonal, communication and the coaching aspects of advice the most and that advisers should be able to manage their teams to deliver quality advice to clients (MoneyManagement, 2017). The new standards introduce a degree or degree equivalent requirement for financial advisers which is likely higher than the substandard minimum education requirements previously set by ASIC. In a submission to FASEA, FPA Australia is recommending that the Australian Higher Education Curriculum and Accreditation Framework in Financial Planning that its Financial Planning Education Council (FPEC) developed in 2012 be adopted. The framework includes a detailed curriculum and criteria which both degree programs and the education providers must meet to achieve accreditation. To date, the FPEC has accredited 12 education providers offering 23 approved undergraduate programs and 10 universities offering 10 approved postgraduate programs in financial planning. The curriculum requires nine subjects to cover the following topics: introduction to financial planning, client relationships, retirement planning, estate planning, insurance, financial plan construction, taxation, investments and commercial law. The FPA believes that this framework is now embedded in Australia's tertiary education system and is effectively contributing to raising the education standards for all financial advice providers (FPA-Australia, 2017).

In addition to the still-evolving educational requirements which are primarily for entry to the financial advisory industry, FPA Australia grants CFP designation to practitioners who meet the four requirements of ethics, education, experience and exam. It was the first organisation outside of the US to be licensed to award CFP certification back in 1990. As mentioned earlier, the AFA also grants a similar FChFP designation. Like in the US, the Financial Planning Specialist (FPS) designation is available to those members of CPA Australia and ICAA who can demonstrate their eligibility through experience and education within the financial services industry (Khare, 2017).

Like in the US, most finance professionals carry the CFA designation which is administered by local CFA Societies. Likewise, the CIMA designation is carried by investment managers. Currently, there are more than 150 CIMA designees in Australia. In Australia, CIMA certification is administered by Portfolio Construction Forum, IMCA Australia's strategic partner in the management and delivery of CIMA certification and member continuing education services. CIMA certification is a 35-week program including one-week residential at University of Technology Sydney Paul Woolley Centre. The CIMA certification curriculum covers six core topics namely governance, fundamentals, portfolio performance and risk measurement, traditional and alternative investments, portfolio theory and behavioural finance and the investment consulting process (IMCA, 2017).

## **5. The financial advisory industry in other Asia-Pacific countries**

The countries discussed in this section are those where CFP certification is available. It is posited that availability of CFP certification is an indication of the relatively advanced level of financial advisory services in a particular country. It is worth noting that 12 countries (including Australia) out of 26 CFP countries worldwide are in the Asia-Pacific region (FPSB, 2017).

### **5.1 New Zealand**

The industry became officially regulated in 2008 through the Financial Advisers Act which created the Authorised Financial Adviser (AFA) designation. AFAs are individual advisers who are permitted to provide personalised financial adviser services to retail clients on investments, insurance, mortgages, bank deposits and other products. Alternatively, individuals can operate under the aegis of a Qualifying Financial Entity (QFE) and deal only in house products. There are currently around 2,000 AFAs and 25,000 QFE advisers. Investment advice, in general, is probably in short supply in New Zealand. According to the NZ Statistics Income Survey, there are 689,100 individuals in the top income quintile. Assuming all of the top-earning quintile sought advice, that would equate to about 545 clients for each of the 1,264 AFAs specialising in investments (Chaplin, 2014).

New Zealand's professional body for advice practitioners in financial planning, insurance, investment and estate planning is the Institute of Financial Advisers. The institute helps its members reach their full potential as professional financial advisers for the benefit of the New Zealand public and also administers the CFP designation. It offers to its members a strong continuing professional development programme, excellent fellowship opportunities, proven commitment to world-class standards, ethics and values and unrivalled access to expertise (IFA, 2017).

### **5.2 China**

The remarkable rise in China's wealth has primed it to become the world's richest nation in the near future. The country's prosperity has translated to individual fortunes, with newly-minted millionaires growing in number every year and demanding an increasingly sophisticated approach to the management of their wealth. The exact figures are always going to be tough to determine in China, but Boston Consulting Group says millionaire households in China rose from 1.5 million in 2012 to 2.4 million in 2013. Worldwide, the US is still well out in front, but this figure puts China in second ahead of Japan. It is likely that the remarkable upward trajectory of recent times will continue, creating more demand for private banking services from Chinese clients (Hartley, 2014a).

The growth of China's middle class is also well documented. The Chinese affluent, urban middle class already accounts for almost 10% of income despite numbering just 1% of the population. Over the following years, more people will migrate to China's cities for higher paying jobs. These working

consumers, once the country's poorest, will steadily climb the income ladder, creating a new and massive middle class (Laurence, 2008).

Holistic financial planning in mainland China is limited at this stage but demand is forecasted to increase in response to fast-growing retirement savings. Recently, the Chinese government established a voluntary corporate pension scheme called Enterprise Annuity System. It is coming from a very low base but once momentum is picked up, the scheme is expected to exceed Australia's funds under management in superannuation (Laurence, 2008). With growing pressure on their age pension system, China is working with asset management firms to establish and manage US-style stock market retirement accounts (Walker, 2001).

China presents a challenge for foreign financial advisory firms to penetrate because of the following reasons: weak regulatory regime, web of regulation that can differ from region to region, restrictions on investments outside China and weak recognition of the need for financial planning advice. A Chinese venture partner is also required for such activities as funds management and the provision of trustee services (Laurence, 2008). However, the need for a global outlook has encouraged partnerships with foreign private banking institutions, providing expansion opportunities for Chinese wealth management firms. Currently, rich Chinese usually employ the services of globally established wealth managers outside their home country but these services are likely to be offered in the future by globally established domestic Chinese players (Hartley, 2014a).

### **5.3 Hong Kong**

Hong Kong has long catered to managing the wealth of HNWI's largely through private banks, yet there is a perception that it is a few years behind Singapore in the community's recognition of the need for financial planning. Most of the financial planners in Hong Kong work for large banks and insurance companies. Hong Kong has a well-developed corporate pension scheme, with all employees having to enrol since 2000 in the Mandatory Provident Fund, and there is a growing acknowledgement of the need to save for retirement. There is a reasonable regulatory regime for financial planners and it is perceived as quite mature relative to the quite immature development of its investment products. The country's wide-reaching Securities and Futures Ordinance, which came into operation in 2003 and which is similar to Australia's Financial Service Reform Act, is designed to improve the quality of the investment market and to improve protection of investors (Laurence, 2008). The Hong Kong Monetary Authority together with the Private Wealth Management Association, the Hong Kong Institute of Bankers and the Treasury Markets Association are currently developing the enhanced competency framework that will shape the regulatory approach for the private wealth management business (Hartley, 2014b).

The Institute of Financial Planners of Hong Kong (IFPHK) is the body awarding the CFP designation in Hong Kong and Macau. As in other countries, CFP designees need to satisfy the certification

requirements of experience, education, examination and ethics. Currently, the CFP education programs are provided by the following IFPHK's approved education providers: Hong Kong Polytechnic University, The Open University of Hong Kong, The University of Hong Kong and City University of Hong Kong. Students studying towards a Bachelor degree awarded by an accredited education institution are eligible for conditional admission to the CFP certification process. Candidates may also qualify for exemption from some or all of the required courses if they have a Masters or Doctoral degree in Business or Economics (IFPHK, 2017).

#### **5.4 India**

India is another story of fast-growing personal wealth. Millions of Indians are being lifted out of desperate poverty to create a massive middle class in the cities (Laurence, 2008). However, India has been a tough market for global wealth managers ground down by rising costs, complex regulation, a fractured customer base, lack of scale and problems in their home markets. In recent years, many global private banks have scaled back their business or left the country altogether despite India being one of just a handful of emerging markets where growth is accelerating rather than falling. As a result, the private banking industry is largely in the hands of local players, who control around three-quarters of the market. These firms who have persisted are tapping into a new generation of entrepreneurs, often foreign educated, that is accustomed to listening to professional wealth management advice. The demographics of wealthy clients are also changing, being younger and becoming millionaires faster. Newly very wealthy entrepreneurs are bursting onto the scene with no clear idea of how to look after their money and that is when they turn to advisers for help. The market is seen to grow by an annual average of 20% over the next two decades with private banking in India going to be transformed with more professional and more profitable institutional money management services (Wilson, 2016).

One of the obstacles Indian financial advisory firms face in promulgating client-centred, fiduciary planning is the unwillingness of ordinary clients to pay professional fees. They would rather pay a high commission they do not see than a low fee they painfully do see. Just as in other developing markets, Indian advisers struggle to help consumers understand the trade-off between hidden commissions and visible fees (Kahler, 2017).

Financial planning in India is self-regulated with Financial Planning Standards Board (FPSB) India being the public-private enterprise that sets professional standards for financial planners. FPSB India proactively guides the development and promotion of standards for financial planning professionals to benefit the public through close collaboration with stakeholders such as the government, regulators, industry, corporations, media and the general public. It also administers the peak CFP designation (FPSB-India, 2017).



## **5.5 Indonesia**

Wealth management for private clients has not been a major financial activity in Indonesia. Most pension funds continue to be held by the state or private employers and wealthy private individuals tend to hold substantial assets abroad, especially in Singapore. Unlike in other countries, investors in Indonesia are not able to do this through managed funds, as these are only allowed to invest up to 15% of their net assets abroad (Walter and Sisli, 2007). However, the potential is there as Indonesia has been one of the most sustainable markets in the Asia-Pacific region in terms of wealth accumulation. The increasingly affluent population has created a real demand for a more sustainable onshore wealth management industry in Indonesia. Banks have been looking not just at the super-rich but also at the lower segment or the emerging affluent who have the potential to be HNWI's in the next 10 to 15 years. Local banks and wealth managers are taking steps to nurture the local wealth management industry, which in theory could outpace neighbouring Southeast Asian countries (Waite, 2013).

Financial Planning Standards Board Indonesia, established in 2006, is a non-profit organisation offering the CFP designation. FPSB Indonesia operates to benefit consumers and establish financial planning as a profession in Indonesia (FPSB-Indonesia, 2017).

## **5.6 Japan**

Japan has the second largest population of HNWI's in the world and yet few banks provide tailored services there to the rich. One reason is that the Japanese are recognised for their conservative approach to wealth management, so courting a wealthy individual can take as long as winning an institutional account. Individuals take up to three years to get to know a private bank before committing. Lack of investing appetite and cultural complexities have caused several global banks to exit or close their wealth management businesses in Japan. However, as Japan's moribund economy sparks back to life, there is a growing need among wealthy individuals, families and corporations for comprehensive services that only a global private bank can offer. Yet only a handful of banks provide dedicated services and they are largely foreign. For the most part, Japanese banks do not segment clients and do not differentiate their services. However, the Japanese wealthy have a different set of values and do not focus on increasing their money but rather place emphasis on capital preservation with many near retirement in their 50s and 60s who have inherited properties or businesses. From a regulatory standpoint, Japan's Financial Services Agency has adopted a loose approach to wealth management largely due to the fact that it is still such a small component of Japan's financial markets. Global banks appear to have a better chance at succeeding in wealth management if they collaborate with Japanese groups, where one party provides global solutions and the other provides local distribution (Ong, 2013).

Overall, the level of financial literacy is not high in Japan with only 49% of Japanese respondents in a study able to answer two simple questions on interest rates and inflation. Financial literacy increases the

probability of having a savings plan for retirement (Sekita, 2011). To address low level of retirement planning and therefore relieve pressure on public age pension schemes, Japan also introduced US style 401k-type pension plans (Walker, 2001).

### **5.7 Korea**

The South Korean wealth management industry is dominated by domestic firms. After some recent mergers, competition is starting to hot up, as some firms are expanding their wealth management services into non-financial areas to differentiate them from the competition. Although foreign banks started wealth management in South Korea, most of the big global players are either not present in South Korea or only there in a limited capacity. Wealth management is very much relationship-based and strong local language skills are required, areas where local firms are stronger than the global players. On the other hand, foreign banks do have their advantages such as in-depth understanding of world markets, the ability to identify global opportunities, ability to source a wide range of products at competitive rates without having to push any internal funds, powerful research networks, advanced investment advisory solutions and access to a wide range of foreign exchange services through their global platform. Just how useful these services are currently to HNWI's is debatable though, with most continuing to hold the majority of their assets in property and bank deposits. The majority of wealthy Koreans still lean towards wealth preservation rather than investing for growth, given that the average age of private banking clients is approximately 65 years (Smither, 2016).

While South Korea is one of the most technologically advanced countries in the world, its financial services sector has been relatively slow in its adoption of technology. This is largely due to the prevalence of the traditional relationship-based business model which places emphasis on face-to-face meetings. Also, the Korean market is highly regulated, which makes it difficult to conduct retail investment business over the internet, although the government has indicated it will try to deregulate in order to stimulate financial technology innovation such as robo-advice platforms. In addition to efficiency advantages, robo-advisers could also help wealth managers broaden their customer base into the mass-affluent market which has not previously been targeted for cost reasons. In addition to technology innovation, the industry believes the compensation structure for relationship managers and private bankers needs to be revamped as the current sales-driven model leads to a lot of asset churning that can lead to improper transactions (Smither, 2016).

### **5.8 Malaysia**

Malaysia was the first country to introduce legislation that requires a person to be licensed before he can hold himself out to be a financial planner. The Securities Commission of Malaysia introduced legislation through amendments to the Securities Industry Act in 2003 to regulate the practice of financial planning. In 2005, amendments to the Malaysian Insurance Act require those who provide financial advisory

services related to insurance to obtain a licence from Bank Negara Malaysia. Lastly in 2007, the Capital Market Services Act came into force as another move of the government to bring the industry towards a one regime regulatory environment. As it currently stands, one of the requirements to apply for a financial planner licence in Malaysia is that the key company officers must be Registered Financial Planner (RFP) designees. However, from September 2006, the CFP title is accepted as an alternative designation of financial planner license applicants. As a result of these regulations, the demand for financial planning education programs has taken off in Malaysia. In addition to the designation requirements, the license applicant must also be a member of a self-regulatory organisation in financial planning recognised by the regulatory bodies Bank Negara Malaysia and Securities Commission. Currently, these are Malaysia Financial Planning Council, who administers the RFP designation, and the Financial Planning Association of Malaysia, who administers the CFP designation (Khare, 2017).

While it has a relatively developed regulatory environment, Malaysia is still perceived as a few years behind trend-setting Singapore in its recognition of the need for financial planning. The standard of investment products available in Malaysia is generally poor and there is the need to educate advisers away from the practice of selling one product to dealing with a range of products. Malaysia has long had an Employees Provident Fund for private sector employees and public servants who do not have a pension (Laurence, 2008).

## **5.9 Singapore**

Singapore is generally perceived as the most mature market in Asia in terms of understanding the need for financial planning. The main reason is that the government has recognised that the amount of savings in the country's pioneering and mandatory Central Provident Fund, founded in 1955, is not enough and that therefore people should save for their retirement. Accordingly, the government has taken steps to raise people's awareness in this regard. Singapore's regulatory regime is described as strong and of high standard, largely due to the Financial Advisers Act that specifically covers those giving financial advice and which is similar to Australia's system. A corporation carrying on business as a financial adviser must hold a financial adviser's license, unless exempted. Individuals giving financial advice must hold a representative's licence, unless working for an exempt corporation (Laurence, 2008).

Singapore together with Hong Kong, are both global cities pursuing dominance as centres for financial services in the Asian region. They continue to work towards advanced structures to ensure that retail client interests are protected. The wealth management industries are vibrant in both countries, however Singapore is fast becoming the private banking hub of the region (Farrell, 2013). With more than 70% of total AUM sourced from abroad, Singapore maintains its role as an international asset management centre (Walter and Sisli, 2007).

In order to have a CFP designation, financial planners must meet the usual four requirements of the certification process. The education requirement is met through the following education providers that have registered a financial planning curriculum satisfying the FPA Singapore standards: Financial Perspectives Pte Ltd, KapitalMinds Pte Ltd and TMC Academy Pte Ltd (FPA-Singapore, 2017).

### **5.10 Taiwan**

Taiwan's domestic banks are accelerating efforts to build a local private banking industry. This is driven by regulation and a desire to capture wealthy money that usually goes offshore. Taiwanese banks are now extending their reach by targeting clients with net worth of at USD1million. Only recently have banks learned how to differentiate services for HNWI's from general wealth management for the mass affluent and Fubon and Taishin are so far the only two banks to have set up onshore private banking divisions but more are expected to follow. Majority of investors are not yet clear about the differences between private banking and wealth management and private banking is a new market. Although the move into private banking may be a natural extension of banks' organic growth, it is also driven by recent regulations after the global financial crisis. Because of overseas investment losses, the Financial Supervisory Commission now requires gross assets of HNWI level and experience in investing before being allowed to invest in certain products. The new rules also require any financial institution selling offshore structured products to have an onshore, legally responsible entity such as a subsidiary or locally licensed intermediary. This deters global banks from the trying to tap the domestic mass-affluent market. While local banks may not be able to compete for UHNWIs, there is a deep pool of the somewhat rich that they can exploit through their edge with domestic products, on-site customer service and extensive branch networks. Identifying and growing this market may be more sustainable than the aggressive relationship-management model used by international banks in going for UHNWIs (Wang, 2011).

### **5.11 Thailand**

Wealth management is a growth industry in Thailand, with a tremendous amount of wealth to be created over the following years that is expected to trickle down to the wider population. One factor that can potentially contribute to wealth management growth is the end of the Deposit Protection Act. From a position where all deposits in Thai banks were guaranteed by the government, this will be cut to a maximum guarantee of just USD33,000 per account which coupled with the low interest rate environment, will push more investors into non-deposit products such as mutual funds. While the bigger banks are fighting it out in the HNWI segment, most wealth management services focus on the mass affluent, or individuals with USD100,000 to USD300,000 in investable assets. Competition is fiercest in this mass-affluent segment and there are questions on its cost-effectiveness (Gagliardi, 2013).

The growing complexity of the local capital market in Thailand has raised demand for professional wealth managers and financial advisors in the country. But the financial planning industry faces

challenges such as a talent shortage, lack of consumer awareness and market structure. Furthermore, most financial planners in Thailand work for a specific bank or brokerage and are therefore constrained in the products they may present to clients. In Thailand, financial planners are typically seen as a distribution channel for financial products (Panthawangku, 2010).

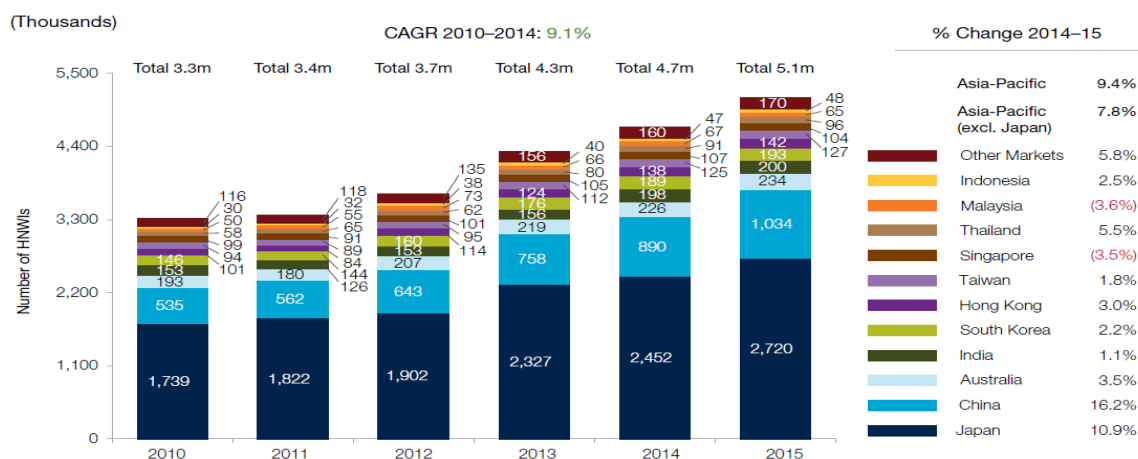
## 6. Industry directions

### 6.1 Asia-Pacific Wealth Report

The annual wealth reports prepared by global consulting company Capgemini provide a good indicator of the market for financial advisory services. The 2016 Asia-Pacific Wealth Report focuses on 11 core markets: Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan and Thailand. It is worth noting that these are the same countries covered in the previous sections, with only New Zealand missing. The report also includes 7 additional countries namely New Zealand, Kazakhstan, Myanmar, Pakistan, Philippines, Sri Lanka and Vietnam lumped together as Other Markets. Consistent with the discussion in the previous sections, the report defines HNWI as those with investable assets of at least USD1million and UHNWIs as those with investable assets of at least USD30million (Capgemini, 2016). The discussion in this section are all based on data from the report and all the charts are lifted from the report with the publisher’s permission.

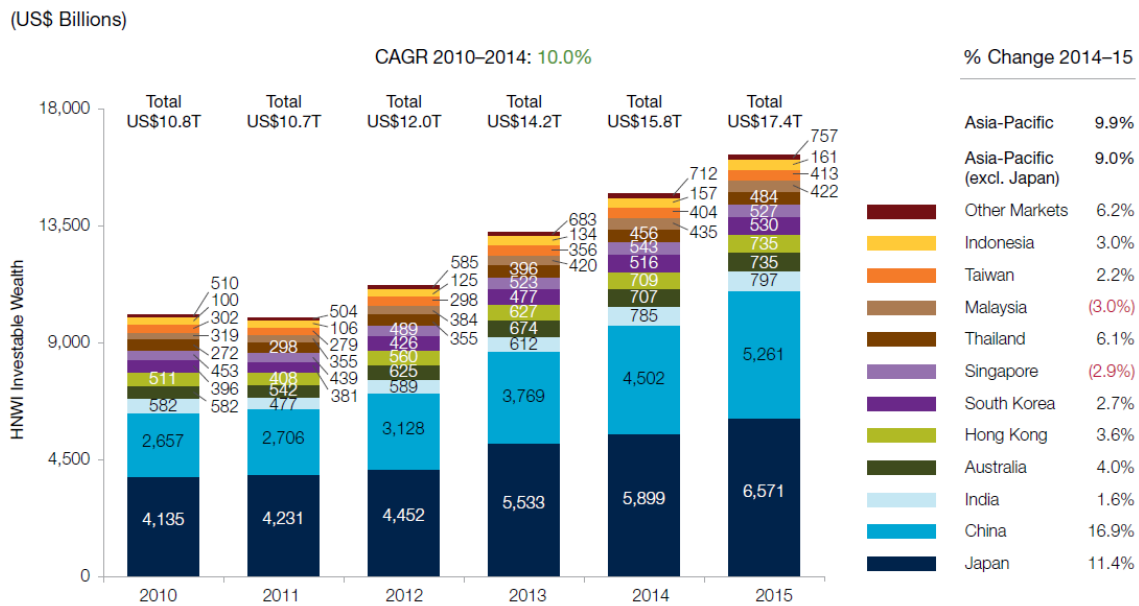
One year after recording the highest HNWI population in 2014, Asia-Pacific now leads the world as the region with the most HNWI wealth. Boosted by the engines of China and Japan driving more than 90% of the wealth growth, the region has both the biggest number of HNWIs and the most HNWI wealth. Asia-Pacific HNWI population grew by 9.4% to exceed 5 million, a rate which is 3.5 times the 2.7% growth rate for the rest of the world. Asia-Pacific HNWI wealth grew 9.9% in 2015 to USD17.4trillion, a rate which is 5.8 times the 1.7% growth rate for the rest of the world. Both growth rates are consistent with the compounded annual growth rates from 2010. Even under conservative assumptions, Asia Pacific HNWI wealth is projected to nearly double through 2025 to around USD34trillion, propelled by emerging Asia markets of China, India, Indonesia and Thailand. Figures 3 and 4 show the breakdown by country of HNWI population and HNWI wealth, respectively.

**Figure 3:** Asia-Pacific HNWI Population by Country, 2010-2015



(Source: Asia-Pacific Wealth Report 2016, Capgemini)

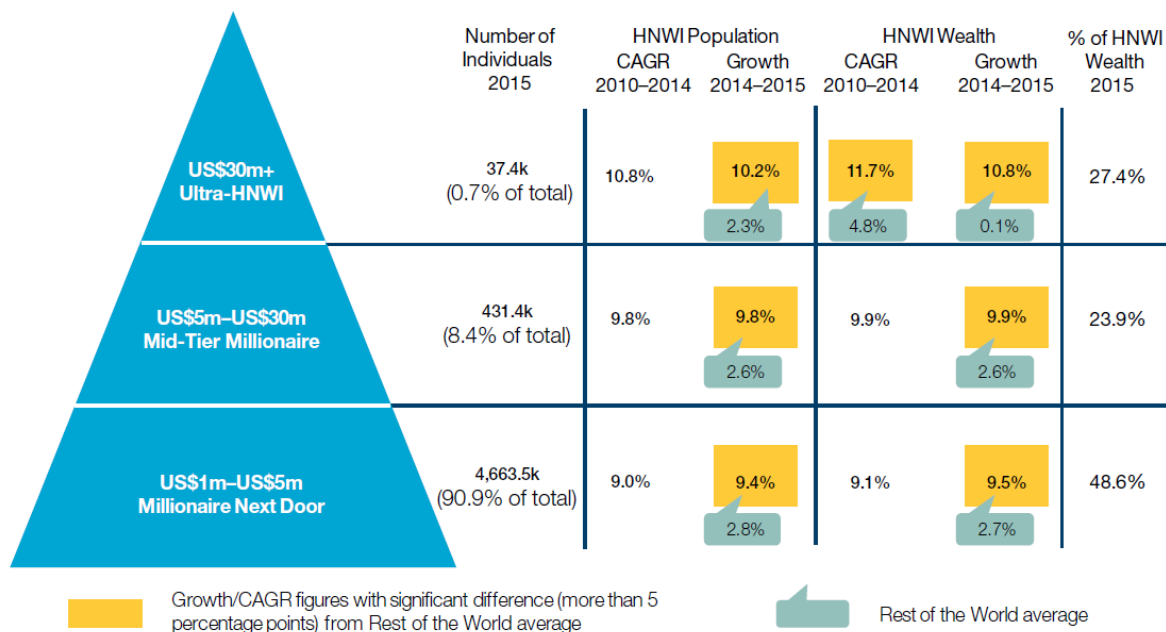
**Figure 4: Asia-Pacific HNWI Wealth by Country, 2010-2015**



(Source: Asia-Pacific Wealth Report 2016, Capgemini)

Figure 5 shows that Asia-Pacific UHNWIs are growing faster than other wealth bands and at a much faster rate than among the rest of the world. This indicates a growing market in Asia-Pacific for personal wealth managers and investment managers offering sophisticated investment advice.

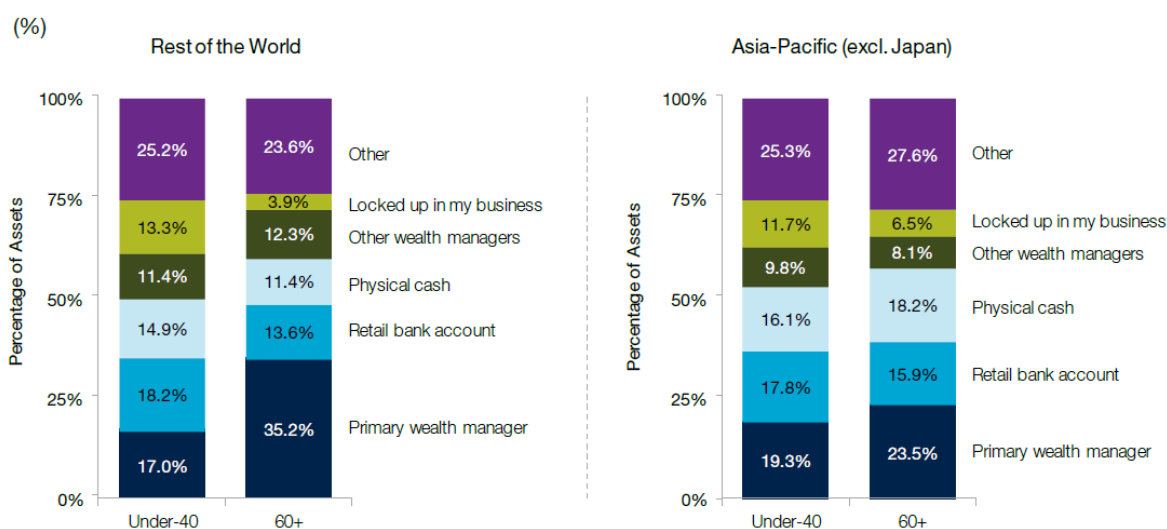
**Figure 5: Composition of Asia-Pacific HNWI Population by Wealth Bands, 2015**



(Source: Asia-Pacific Wealth Report 2016, Capgemini)

However, despite this growth, the majority of HNWI assets are not under management by wealth management firms. Despite rising trust in the industry, Asia-Pacific HNWIs show a preference for keeping their wealth in physical cash or retail bank accounts (32.6%) than hold it with a wealth manager (30.6%). In comparison, HNWIs in the rest of the world hold 34.5% of their assets with a wealth manager. Figure 6 breaks up the data by age brackets. Younger HNWIs allocate less of their assets to wealth managers and this may be explained by a lower percentage (61.4%) of HNWIs under 40 exhibiting trust in their wealth managers compared to 82.3% for those over 60.

**Figure 6:** Breakdown of HNWI investable wealth across entities and accounts by age, Q1 2016



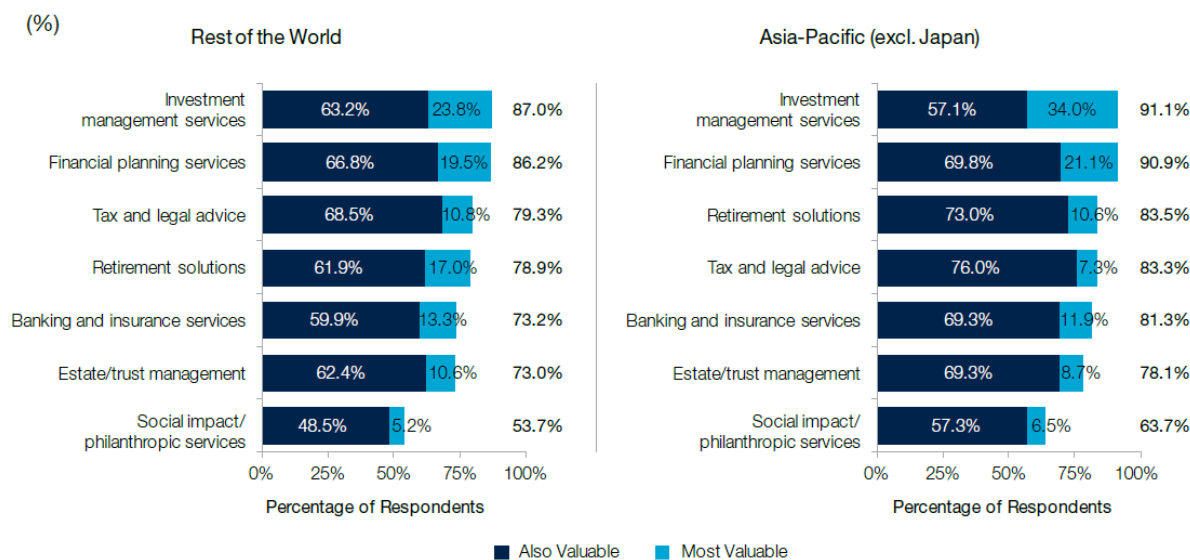
Note: Question asked: "How does your investable wealth breakdown across entities and accounts?"; Chart numbers may not add up to 100% due to rounding; Real estate is included as a part of Other

(Source: Asia-Pacific Wealth Report 2016, Capgemini)

While the proportion of HNWIs working with wealth managers is currently low, it appears that it would not be difficult to improve on this. Figure 7 shows that among various financial services, investment management is viewed as valuable by the highest percentage of Asia-Pacific HNWIs (91.1%) followed by goal-based financial planning with 90.9%. These are both higher than the 87.0% and 86.2% figures for rest of the world HNWIs. Apparently, investment management resonates with Asia-Pacific HNWIs more fully than other services. By offering attractive investment propositions, wealth management firms can take advantage of the natural tendency and confident attitudes that Asia-Pacific HNWIs have toward making investments, indicating opportunities for high level finance education programs focused on investing. Investment management capabilities must also be coupled with financial planning capabilities to fully meet the expectations of this clientele, the latter being a strong second in terms of perceived value.



**Figure 7: Most valuable wealth management services for HNWI, Q1 2016**

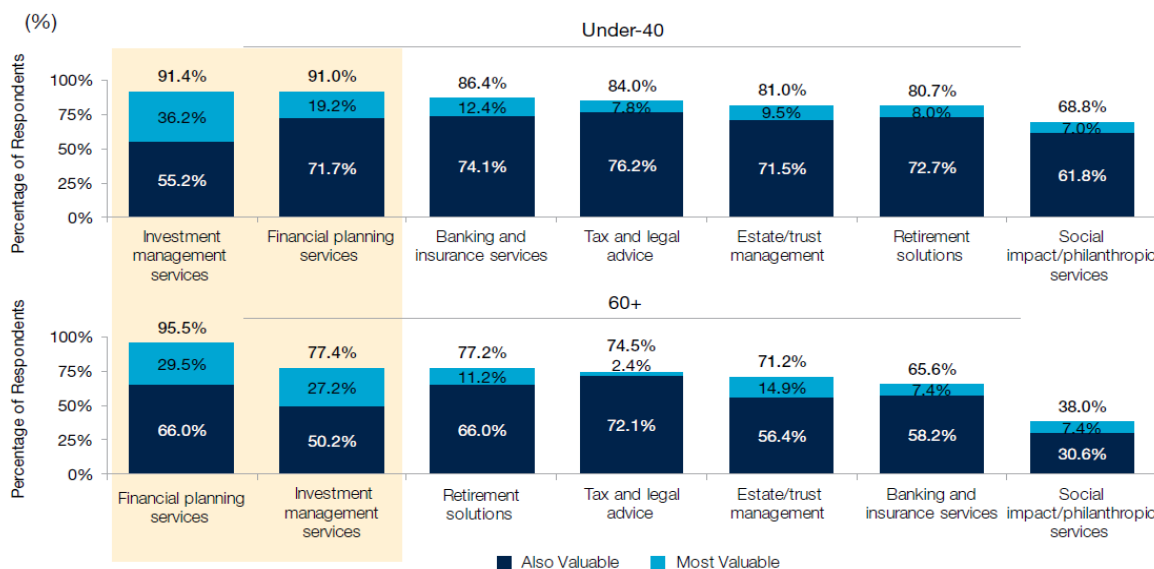


Note: Question asked: "Given your current circumstances, how valuable are the following wealth management services to you?"; Chart numbers may not add up due to rounding

(Source: Asia-Pacific Wealth Report 2016, Capgemini)

Figure 8 shows that the high value perception for financial planning extends across age groups. A large percentage of those over age 60 (95.5%) pegged financial planning as valuable or most valuable, as did 91.0% of those under 40 years. With younger Asia-Pacific HNWI expressing concern about various personal finance related issues, such as rising education costs, the need for comprehensive financial planning is expected to increase.

**Figure 8: Most valuable wealth management services for HNWI by age, Q1 2016**



Note: Question asked: "Given your current circumstances, how valuable are the following wealth management services to you?"; Chart numbers may not add up due to rounding

(Source: Asia-Pacific Wealth Report 2016, Capgemini)

In summary, Asia-Pacific HNWI are “somewhat less likely to hold their assets with a wealth management firm, preferring to retain some liquidity through physical cash or retail bank accounts. Wealth management firms can overcome this resistance by appealing to the greater interest the region’s HNWI show in sophisticated investment management. Just as important, investment management should be combined with goals-based financial planning. An asset consolidation strategy that blends overall holistic financial planning with a sophisticated approach to investment management can help wealth managers improve their odds of attracting more HNWI assets” (Capgemini, 2016, p. 19).

## **6.2 Potential for wealth management and financial advisory services**

Holistic financial planning involves an adviser gaining a thorough understanding of a client’s financial situation, needs and goals, identifying an asset allocation for their investments to maximize their growth potential with the least possible risk and suggesting ways to protect their wealth. The huge potential for holistic financial planning in Asia-Pacific comes from a confluence of the following factors: the rapid growth of its middle class, the rapid ageing of its population against a backdrop of minimal social security nets and a very high savings rate. Based on OECD statistics, the highest household savings rates in the world are in Singapore (33% of household income), Indonesia (28%), India (22%) and China (16%). Financial planning firms aiming for a foothold in asset-rich Asia-Pacific will have to deal with regulatory environments that range from the rudimentary to the highly developed. For instance, the provision of holistic financial planning in mainland China currently is limited, but demand is expected to rapidly rise because of fast-growing retirement savings (Laurence, 2008).

The sustained increase in general household wealth is expected to fuel demand for financial planning services. In addition to the rapid growth of HNWI wealth as discussed in the previous section, financial wealth across all private households for Asia-Pacific grew by a stellar 30.5% in 2013 according to a Boston Consulting Group report. During the same period, global growth in private financial wealth was a more moderate 14.6%. The report predicts that global private wealth will total USD198.2trillion by the end of 2018, with the Asia-Pacific region generating over half of global growth. Asia-Pacific is expected to overtake North America as the largest private wealth market in 2018 with a projected USD61trillion (Asiamoney, 2014).

The private wealth management industry is growing in Asia-Pacific as more middle class is being created. While Europe and North America will remain major centres, Asia-Pacific will be the growth engine for the industry. Global wealth management businesses will be setting up branches to serve local clients who will be wanting one-stop shops similar to family offices. Mostly entrepreneurs, they would also require investment banking services such as helping them raise capital to leverage their business as well as financial assets (Auyeung, 2009).

### **6.3 Shake-up of banking services**

In order to better serve the needs of the growing ranks of HNWI in Asia-Pacific, banks are moving towards a 'one bank' approach where their private and investment banking services are melded into one seamless operation (Loh, 2016). The traditional wall between the two are being torn down as investment banks, squeezed by regulation and competitive pressure, look to generate business in private banks. The private banks with the strongest support from their investment banks, which include Credit Suisse and UBS, have wealth management as a core strategy.

In Asia-Pacific, the wealthy are mostly entrepreneurs and the focus therefore is on wealth creation not simply wealth preservation like in Europe. As these entrepreneurs grow their business, they become more aware of the need to work with finance professionals to carry their personal wealth into future generations. Catering to this segment with a full suite of investment and private banking services is imperative for any financial institution.

There are clear benefits to an integrated banking operation. Universal banks are well positioned to offer a superior 'straight through train' client experience, as client needs are addressed through solutions that do not need multiple handshakes that come with outsourcing some elements. Serving clients on both private and corporate levels also gives universal banks a degree of intimacy which is higher than that with purely private banks. The quality of service has also been brought up, as bankers have moved on from being focused on pushing individual products and hoarding bonuses to being open about collaboration in offering broader solutions to increase their business with a particular client. There are also challenges with the 'one bank' concept, but bankers agree that the trend of integration is one that the industry will increasingly adopt (Loh, 2016).

The Swiss banks have been at the forefront of the universal banking trend. Credit Suisse's global strategy has private banking as a focus. The bank is increasing its headcount in the Asia-Pacific region as it hires wealth managers and adds selectively in the investment bank. The bank has added 100 relationship managers (RMs) since the first quarter of 2015 and ended the first quarter of 2016 with 630 RMs. This will further expand with the bank looking to hire up to 800 RMs by 2018 and wealth executives in China and Australia. It is focusing on UHNWIs and has appointed several senior bankers and product specialists who will be responsible for covering key entrepreneurs and directing investment opportunities (GlobalCapital, 2016).

While on the subject of RMs, it might be worthwhile to discuss the gender factor. In Asia, women excel as private bankers, where they outnumber men in the profession by 3 to 2 compared to ratios of 1 to 4 in the US and 1 to 9 in Switzerland which is the world's largest wealth management centre. Some possible explanations are offered. Women are especially perceptive in dealing with couples in a region where families decide on financial matters. Women often come across as empathetic, so even men would rather

speak to a woman about financial matters than to another man. Newly wealthy Asian entrepreneurs, who prefer to have control over investment decision, may prefer female bankers because it is easier to treat them as a friend or family member. Finally, private banking in Asia requires patience and listening ears and therefore the industry tends to attract women (Vallikappen, 2013).

#### **6.4 Attitude towards retirement planning**

Insights on the global picture for retirement planning can be gathered from the Aegon Retirement Readiness Survey 2016, which is a collaboration between the Transamerica Center for Retirement Studies and the Aegon Center for Longevity and Retirement. The survey involves 16,000 employees and retirees in 15 countries chosen on the basis of their distinctive pension systems, namely Australia, Brazil, Canada, China, France, Germany, Hungary, India, Japan, the Netherlands, Poland, Spain, Turkey, UK and US. No matter what country a person is in, it is apparent that getting into the habit of saving and consistently saving over time is critical for achieving retirement readiness. However, only 26% of workers worldwide believe that they are on course to achieving their target retirement income. While increasing savings is the obvious solution, workers will need to assume greater responsibility for retirement planning as only 13% were found to have a written retirement plan. People plan for living over a certain number of years only in retirement, but increases in actual longevity may require individuals to work longer in order to adequately fund retirement. Social security systems around the world are under increasing financial strain as a result of increasing longevity and ageing population. As a result, the cost of funding retirement is continuing to shift from the government to individuals and many are not saving enough. In this regard, people need help in the form of greater opportunities to save, access to retirement planning advice and resources and the ability to extend their working lives. The report concludes that the world needs a retirement wake-up call (Aegon, 2016).

In Singapore, there appears to be a complete reliance by people on their retirement pension system called the Central Provident Fund. However, majority is not prepared for retirement financially because their fund balances are inadequate. Interestingly, among Singaporean-Chinese, Chinese cultural heritage such as belief in luck, destiny and that children will support their elderly parents are not important as far as retirement planning is concerned (Gurd and Or, 2011). Asians generally believe that the only way to ensure they will save for retirement is if it is required by law. Over 65% of respondents in India, China and Hong Kong indicate that they need the government to legislate to help them save for retirement. In comparison, only 21% of respondents in the US and 37% in the UK felt the same way (Machell, 2009).

#### **6.5 Battle for the market**

According to bankers, Asia-Pacific HNWIs do not only look for high returns, but they also look for the personal touch in choosing private bankers and believe that the banker is more important than the bank. Entrepreneurial wealth creation still tends to be in the first or second generation stage, so the clients are

generally knowledgeable of the financial markets and products and prefer to have control of their portfolios and tend not to delegate investment decisions to their bankers. Many bankers say the bulk of the Asia-Pacific portfolios they handle is advisory. In contrast, the US and Europe is characterised more by old wealth where the financial markets are more complex in terms of its breadth and depth. Clients therefore are generally more willing to be less involved and more receptive to discretionary investment management. The battleground for managing the assets of Asia-Pacific HNWI is becoming increasingly crowded. Traditional private banks find themselves competing with asset managers, insurance companies, stockbrokers, retail banks, investment banks, wealth management firms and universal banks in their fight to attract and keep clients in the fold. One strategy is to capture clients when they are younger and less affluent, in the hope of converting them to loyal customers by the time they reach truly HNWI or UHNWI status. Private banks outside the top global players are very focused in serving particular niches where they can develop their own edge in terms of expertise, professionalism and services (Loong, 2001).

Asian HNWIs have historically been able to grow their wealth themselves, with around 52.6% currently managing their own investments. However, there is a refocus back to entrepreneurial wealth creation and the adoption rate for less hands-on discretionary investment management is slowly increasing. Currently, only about one of ten investors are using a discretionary investment portfolio because of a lack of understanding of the relative benefits and risks involved in doing so (FinanceAsia, 2016).

In Asia, banks and insurance companies largely control wealth management and advice and many of the available investment products can be readily accessed at retail banks. There are two distinct client segments: the local market and the expatriate market. The first is longer term and involves both domestic investments and off-shore investments particularly for HNWIs. The expatriate market is more mobile and shorter term in general and most of them utilise their home banks, financial advisers from their home market, local advisers specialising in advice for expatriates and global banks that provide more tailored advice. While the advice industry is maturing at varying rates among Asian countries, much of the activity is still focused on products sales over the counter or with wealth managers in bank branches at the mass market level. Ethics and product sales incentives remain a significant concern in less developed markets in the region (Farrell, 2013).

The traditional banking centres of Asia have been Singapore and Hong Kong. They stand to gain as regulation dents Switzerland's stature as the world's offshore banking centre but are also under competition from emerging Asian centres such as Shanghai and Jakarta. The shake-up in Asian private banking is partly due to the tightening regulatory environment within the region. Hong Kong is expecting the announcement of the enhanced wealth management competency benchmark. In China, the most significant changes are new guidelines from the China Banking Regulatory Commission

on the trust business. Previously, wealthy families in China used offshore solutions for succession management but now it is possible to invest in an onshore trust (Hartley, 2014b).

While Singapore and Hong Kong still dominate private banking in Asia, emerging new wealth centres are keen to fight them for new business namely Shanghai for North Asia and Indonesia for Southeast Asia. China's continuous production of newly wealthy is feeding Shanghai's emergence while Indonesia is benefiting from rising wealth in its domestic market. However, it will take a long while to replicate the history and tradition of Singapore and Hong Kong, where the culture of private banking has been built up over decades (Hartley, 2014b).

### ***6.6 Opportunities for Australia in the Asian market***

As mentioned, the Australian wealth management and investment advisory industry is more mature than Asian markets in terms of products and services as well as regulatory environment. Despite the continually changing regulations at home, Australia compares favourably with Asian countries in terms of compliance, advice quality, transparency, access to product and services and investment platforms. Training and education standards are at a high level and is contributing to a more professional industry. The Asian region continues to develop and there are certainly opportunities for Australian businesses to provide guidance in the development of these markets in years to come. Another way of accessing the Asian market is by bringing in HNWIs to Australia through the Significant Investor Visa (SIV). The SIV was introduced to attract potential migrants with a demonstrated history of success in wealth creation by allowing them to invest at least USD5million into investments that meet the SIV guidelines for a certain period and then allowing them to apply for permanent residency in Australia (Farrell, 2013).

## 7. Conclusions

There is a wide range of markets and services as far as the wealth management and financial advisory industry is concerned. This can range from broad personal advice for the financial planning mass market to focused wealth management advice for HNWIs. The US environment is still the global benchmark for the industry. The industry is heavily regulated in most countries, with education requirements (generally university degree), licenses and professional designations (mostly US originated) needed to practice.

Australia is the benchmark in the Asia-Pacific region in terms of financial products, regulatory environment and professional education. There are opportunities as far as exporting its expertise is concerned, given the rapid growth of HNWI population among Asia-Pacific countries. We can have a rough idea of the potential demand for wealth management and financial advisory professionals in Asia-Pacific by applying the actual current ratios of professionals to HNWI population in Australia to the other countries as shown in Table 1. Future research will aim to determine the actual current number of professionals for each country to determine the demand supply gap.

**Table 1:** Potential demand for wealth management and financial advisory professionals

Country	HNWI population	Number of CFPs	Numbers of CIMAs
Australia	234,000	5,500 (actual)	150 (actual)
New Zealand	89,000	2,092 (potential)	57 (potential)
China	1,034,000	24,303	663
Hong Kong	142,000	3,338	91
India	200,000	4,701	128
Indonesia	48,000	1,128	31
Japan	2,720,000	63,932	1,744
Korea	193,000	4,536	124
Malaysia	65,000	1,528	42
Singapore	104,000	2,444	67
Taiwan	127,000	2,985	81
Thailand	96,000	2,256	62
Others	81,000	1,904	52
<b>Total</b>	<b>5,133,000</b>	<b>120,647</b>	<b>3,292</b>

Asia-Pacific countries are still in the process of fully professionalising their respective industries. Even Australia is still formulating education standards and has just recently banned commissions to signal a move away from a product sales orientation.

As mentioned, there is tremendous growth in wealth in the Asia-Pacific region, greater than the rest of the world. However, the industry had not yet been able to fully translate the perceived value of wealth management and financial advisory services into actual clientele. As far as the financial planning mass market is concerned, there is still a low recognition of the need for retirement planning despite the fact that pension systems are fairly under-developed. Providers on the other hand are still struggling with the cost efficiencies of serving this market. As far as the HNWI market is concerned, there are still challenges in terms of government regulations, cultural barriers faced by global private banks, natural preference for wealth preservation, self-management of wealth and offshore investing. Global banks have started embracing the universal bank concept of integrating investment banking and private banking to be able to tap into the HNWI and UHNWI markets. There are clearly opportunities for new players as well as differentiation strategies for existing players in this exciting and growing industry.



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