

PRIVATE BANKER

INTERNATIONAL

NEW YEAR, NEW PLAYERS

WEALTHTECHS AND START-UP GETTING
READY TO MAKE AN IMPACT IN THE FIELD



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its effects in wealth
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iSTOX making the
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NEW YEAR, NEW PLAYERS

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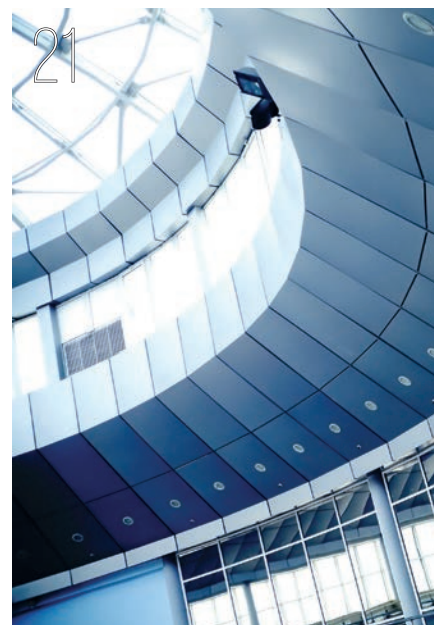
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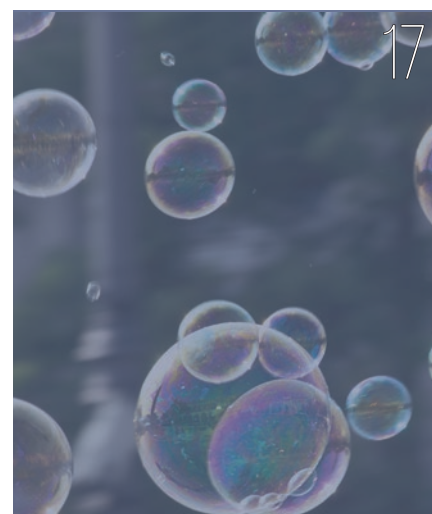
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Choo Oi Yee, iSTOX



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NEW YEAR, NEW ENTRANTS, NEW SECTOR



Patrick Brusnahan, Editor

2 021 started with a bang and everyone becoming their own private banker and stockbroker.

While retail trading has been popular with a small, but tight community, for the best part of a decade now, the Gamestop controversy took things to a whole new level. If controversy is even the right word.

Thanks to users of Reddit, firms such as Melvin Capital lost a lot of money after shorting stakes in retail outlet Gamestop. Citadel and Point72 Asset Management actually had to invest \$2.75bn in hedge fund Melvin to help keep it up.

News coverage led to many more people putting their money into Gamestop to earn a profit and to "beat Wall Street".

While this has died down now, it does show a significant amount of interest from the public in this realm. After a year of worrying about the pandemic, people are looking at their money in different ways to before. People who are not yet high net worth, or even mass affluent, are becoming investors outside of the wealth management sphere. In this issue, we look at new entrants to the market. These new entrants can move quicker than older, incumbent private banks and can offer something different to emerging wealth.

Some people who invested \$1,000 in Gamestop yesterday might be investing \$1m in two years. Firms need to get a move on to start attracting these clients now. Wealthtechs are doing exactly that.

Interaction is crucial between a private bank and its clients. 2020 highlighted this and proved that the traditional face-to-face meeting might not be the best way to serve everyone. While banking and insurance have been embracing omnichannel for a while now, private banking needs to start its way down this path. There are a number of different segments getting wealthy and not everyone likes putting on a suit and heading into the city. Nordea Bank is only one player reportedly revamping its wealth and asset management business as part of a year-long programme that looks to streamline the lender's operations. The move will see the bank combining its private banking units and investment and securities advisory operations into single wealth management units across its four key Nordic markets.

Nordea Bank spokesman Tuomas Forsell told Bloomberg that the "simplified" organisation will bring Nordea "closer to customers". Other banks are due a rethink and it'll certainly happen this year. ■

GET IN TOUCH WITH THE EDITOR AT: PATRICK.BRUSNAHAN@VERDICT.CO.UK

BATTLE OF THE TAXES

With a forecasted figure of £394bn (\$538bn) in 2020/2021, there is ongoing speculation surrounding the UK governments response to the ballooning public deficit. Having promised a triple tax freeze across income, national insurance, and VAT in its manifesto, alongside ruling out further austerity measures, *Hannah Wright* explores another potential option.

In December 2020, the UK Wealth Tax Commission released a report on the potential for a one-off wealth tax, aimed at raising additional revenue in response to the extraordinary costs of Covid-19. Based on the value of assets owned by an individual, minus any debts, the tax would seek contribution from those who are best able to pay based on their wealth.

The case laid out by the report provides an extremely compelling argument for a one-off tax, of which the finer details – such as the threshold and rates – would be determined by the government. The report's FAQ document alone spans 21 pages and seems to leave no stone unturned.

Thanks to the report, the government now

has “the exact structure they would need”, says Arun Advani – one author behind the publication. The document, which explores a series of tax thresholds and rates, unites expert opinion across the tax domain. In essence, it offers a solution to how the government might meet the significant financial challenge of Covid-19.

In reality, the government appears disinterested. Indeed, chancellor Rishi Sunak stated recently that he would not engage with a one-off wealth levy, rendering the idea as distinctly “un-conservative” and unaligned with party ideology. This, whilst perhaps true, seems a strange argument to adopt following months of “un-conservative” (albeit crucial) state-assisted initiatives.

Explaining the motivation behind the

report to *PBI*, Advani says: “We attended a treasury select committee on how to raise tax after coronavirus. Every person that was called to give evidence mentioned three options: income tax, national insurance contribution (NIC) or VAT. That simply isn't true. You don't have to be progressive about the taxation you choose, but you cannot deny that the option exists.”

A FOURTH OPTION

After garnering much media attention, the option is now stuck in certain people's minds. The report specifies a design for a one-off tax that would supposedly raise significant revenue in a fair and efficient way, be very difficult to avoid, and would work in practice without

excessive administrative cost.

Advani adds: “Nothing in tax is easy, but the liability is fixed with a one-off levy, so it’s hard to find ways to avoid it.”

Despite the criticisms of an annual wealth tax, a one-off tax sits differently. Speaking to *PBI*, Emma Chamberlain, a barrister at Pump Court Tax Chambers and co-author of the report, explains: “We – the commission – all came to the task with an open mind. I started the project feeling slightly more against an annual tax than for it, but I was certainly prepared to be convinced. Having completed the research, we are all certain that an annual wealth tax is not a practical option in the UK and our report does not recommend that.”

Instead, the recommendations outlined in the report state that, should the government choose to raise taxes following Covid-19, it could implement a one-off wealth tax in preference to increasing taxes on work or spending.

The report argues that a one-off wealth tax would be better for the economy than rises in income tax, national insurance contributions or VAT because a one-off wealth tax would not discourage work or spending.

Chamberlain continues: “If the government

“Increasing income tax across all bands could be an alternative, but income tax at higher rates doesn’t raise much money because people can decide not to earn the money or choose other methods of deferring taking income. Then there are tax rates at lower levels of income which perhaps isn’t very fair.”

However, the prospect of a one-off wealth tax has raised criticism from several corners of society. Rachael Griffin, a tax and financial planning expert at Quilter, believes the tax burden would unfairly fall on one particular generation – over 50s: “Whether it is in their pension pot or house, this one-off wealth tax feel indiscriminate. Many people started saving for their pension’s decades ago. I think it pulls the rug from beneath people, particularly those that have been making plans throughout their lifetime. It is often individuals that have saved up. They are prudent and they work hard.”

Misplaced financial pressure

Yet, under the rationale of fairness, it could be argued that a one-off levy is an appropriate way of redistributing the wealth lost from lower income households.

According to official statistics, since the



Emma Chamberlain,
Pump Court Tax Chambers

higher incomes who were furloughed were much more likely to be paid in full than those at the bottom end of the spectrum. Again, this paints a picture of financial pressure falling on those least able to afford it. At the end of the pandemic we will be left with a wider divide between the have and have-nots. The government will likely seek to address exacerbated inequalities, which probably spells higher taxes for wealthier households. The March budget is approaching, but the Chancellor will likely be in spend and support mode until later in the year. At some point the bill for the pandemic will need to be presented to the taxpayer and those with more change in their pocket will probably be asked to contribute more.”

Similarly, as evidenced through data from YouGov and The Resolution Foundation, the most important driver of increasing British wealth has been rising asset valuation, and coinciding with this, falling interest rates. Active saving has played a very small role in shaping the scale and distribution of household wealth. This is true for all three major forms of wealth – financial, property and pension. Evidently, when opposing a one-off wealth tax, the assertion of fairness does not have legs.

“Special pleading or a fundamental misunderstanding”

Speaking to *PBI*, Roger Clark, group head of wealth planning at Brown Shipley, believes the report also fails to consider a valuation issue: “Whilst it is easy to value a quoted investment, and it is relatively easy to value property, it is more difficult to value private company shares or private businesses. For wealthier clients, private collections will be

“ EVIDENTLY, WHEN OPPOSING A ONE-OFF WEALTH TAX, THE ASSERTION OF FAIRNESS DOES NOT HAVE LEGS.

decided they want to raise a lot of money quickly, then I’m certainly convinced that using a one-off levy would be appropriate.”



Roger Clark, Brown Shipley

beginning of the pandemic, total household savings have increased and total household debt remains mostly unchanged, largely due to a fall in spending on nonessential items.

However, evidence suggest that some households, particularly those with low incomes, have run down their savings and increased debt since the start of the pandemic. The Commons Library Briefing cites that, whilst every group saw an increase, the lowest-income fifth of users saw a £170 per month decline in their savings.

Laith Khalaf, a financial analyst at AJ Bell, agrees: “It’s clear that the young, the self-employed, and those on lower incomes have borne the brunt of the financial damage inflicted by the pandemic. But more affluent households with steady, undisturbed income streams have found themselves awash with cash, as spending options have been severely curtailed by ongoing lockdowns.

“It’s particularly telling that those on



difficult to value and, in some cases, families are going to have to pay for those valuations themselves. The valuation, whilst achievable, is not straight forward and could involve additional cost.”

Secondly, Clark argues: “For someone who has their own firm, and that is their main asset

aside from their residence, how would they get the money to pay for the tax? At some stage, they’ll have to take the money out of their company, perhaps by way of dividends. That will cost them tax to get out, which they then must use to pay more tax. They pay tax to get the money out to pay more tax.”

Chamberlain deems this argument as “either special pleading or a fundamental misunderstanding”. According to Chamberlain, valuations are regularly done for private company shareholdings on death – and indeed on gifts, shareholder disputes or when providing income tax valuations for share incentivisation schemes to employees.

She adds: “I have never heard someone claim they can’t make a gift because they could not value their company. I see frequent valuations in practice e.g. on death for IHT purposes. They are not generally problematic unless there is an ongoing dispute between shareholders. We acknowledge in the report that private company share valuations are the hardest area, but they are certainly done already. Switzerland does it every year.”

Concerning Clark’s second argument,

Chamberlain reinforces that the one-off tax could be paid out of other resources, such as cash, quoted investments or earnings. “You don’t have to pay this tax out of your business. A beer tax doesn’t have to be paid out of beer. For difficult cases, where tax might be deferred indefinitely, we have a liquidity test. Someone who must pay tax on their house has to pay it out of income – which is taxed – or out of savings such as financial assets – which may need to be sold. Why should companies be any different?”

ALL’S FAIR IN TAX AND WAR

Despite misleading headlines, the study shies away from recommending one particular threshold. “Personally,” Chamberlain says: “I wouldn’t deem it worthwhile introducing anything much below £2m per individual – roughly £4m a household. Then you’re only affecting about 600,000 individuals which has many advantages.”

Griffin concurs: “In my opinion £1m is too low. If you’re including all assets, it doesn’t take a lot to reach that figure in housing alone,



Arun Advani, Quali

particularly in the south of England. £2m or higher.”

Concerning the reaction from her UHNW clients, Chamberlain says that she has received ample positive support: “Many of my wealthier clients wrote to me and agreed the one-off tax was the way to go – keeping it simple, one-off, devoid of complication. There is an acknowledgement that they’ve got broad shoulders, so they could pay. Interestingly, it is often the practitioner groups – the solicitors and accountants that advise high net-worth clients, that are more critical.”

Clark is of the same opinion: “Covid-19 has altered perceptions, and wealthier clients have started to look at how they use their money. I believe that if the tax is fair and it is being used in the right way – to pay for pandemic-related debt – it will likely garner considerable support.” Jeremy Franks, head of wealth planning and advisory, EMEA, HSBC Private Banking echoed this positive sentiment: “Our clients at HSBC Private Banking understand the responsibility that comes with significant wealth, and they want to make sure they are

original intention was just a one-off.”

The report dismisses this concern: “The public understands that Covid-19 is a once-in-a-generation crisis, that may require an exceptional response. International examples of one-off wealth taxes levied in the past have invariably followed major crises like the World Wars. Politicians could help to reassure the public that the tax will not be repeated by explicitly calling it the Covid Recovery Tax, or similar.”

IN SEARCH OF AN ALTERNATIVE

Considering such resistance, it seems sensible to look at the alternative. There is a strong line of thought that, with negative interest rates, perhaps the debt doesn’t need to be paid off at all, whilst the report itself also argues for the reform of existing taxes.

Franks disagrees: “This report helps to focus people’s attention on the need to address a deficit that is increasingly significant.”

The deficit, which the IFS predicts will reach £350bn in 2020-2021, “clearly needs to



Rachael Griffin, Quilter

In line with the commission’s critique of the asymmetry between capital gains tax and income tax, Franks adds: “I think a far greater candidate would be an increase in the capital gains tax rates, given that there is a significant disparity between 25% or 28% CGT rates whilst top rate of income tax is 45%.”

Clark adopts the same stance: “I’d be inclined to think that what they might do first is look at the revenue they generate from existing taxes, before introducing a new tax. That seems to me to be the sensible proposal. The government currently have proposals for reform of inheritance tax and capital gains tax, whilst also considering attaching VAT to sharing platforms like Uber and Airbnb. Of course, the government must act with caution because it agreed not to raise income tax or VAT in its manifesto.”

Franks concludes: “Clearly the tax system is being looked at, and a one-off wealth tax is very much part of the conversation. It is a thorny and complex issue, being debated all over the world as governments establish how they will pay for the enormous cost of Covid-19.” ■

“EVEN AFTER THE VACCINE HAS BEEN ROLLED OUT THERE WILL BE SOME ECONOMIC SCARRING.”

contributing to a wider society. A wealth tax is of interest to many people across the wealth spectrum.”

“However,” Franks continues: “There are some natural concerns that a one-off wealth tax, spread across five years, could be extended by a future administration. In five years, a new government might decide to implement another one-off tax payable over another five years. It would be easy for this to metamorphosize into an annual tax when the

be financed” says Franks.

“Even after the vaccine has been rolled out there will be some economic scarring. Tax revenues will continue to be adversely impacted and there is likely to be a need for support, particularly amongst those areas that have been hit the hardest. The borrowing will be augmented by the requirement for additional borrowing in 2021 and beyond, so there is a reasonable probability taxes will need to rise. If so, where?”

PROPORTION OF PEOPLE WHOSE FAMILY SAVING RATE HAVE CHANGED SINCE THE CORONAVIRUS OUTBREAK, BY FAMILY INCOME QUINTILE PRIOR TO THE OUTBREAK

Income quintile	Change in savings rate					N/A
	Increased a lot (10% or more)	Increased a little (up to 10%)	Stayed the same	Decreased a little (up to 10%)	Decreased a lot (10% or more)	
1 (lowest income)	2	8	47	9	19	15
2	6	11	46	10	22	4
3	8	15	47	9	15	6
4	9	22	46	8	13	2
5 (highest income)	13	21	42	8	13	3

Source: Resolution Foundation analysis of YouGov, Adults aged 18 to 65 and the coronavirus

HOW HAVE WEALTHTECHS COPEd IN THE LAST YEAR?

2020 was full of surprises but incumbent banks and firms have vast pools of cash to draw on in emergencies. Smaller firms and start-ups may not be as lucky. How have they, with a digital-first approach in a relationship business, coped through a global pandemic?

Patrick Brusnahan writes

The COVID-19 pandemic, to put it mildly, limited what people could do in terms of interaction. Many countries enforced lockdowns and curfews. Face-to-face interaction was more or less banned for a lot of people. This is devastating for a sector such as private banking that thrives on relationships.

However, other preferences either evolved or were revealed. According to GlobalData, 51% of millennials now prefer using online or mobile channels when arranging their investments. They are not the only ones; 49% of Gen X, 43% of Gen Z, and 38% of baby boomers feel the same way. The way investors and private banking clients is changing. Many also do not see things returning to the way they once were.

A study from UBS reported three-quarters of wealthy investors across the globe believe that life will never be the same again following the Covid-19 pandemic. This includes aspects such as reduction in travel, moving closer to family, and forsaking cities.

However, there is opportunity here as 83% of respondents wanted more guidance than usual on financial affairs from their adviser.

PROVIDING WHEN AND WHERE

Wealthtech Moonfare offers private equity investment opportunities to those previously excluded.

Since 2018, it has offered more than 20

private equity funds to its investors and as of June 2020, it won trust from 600 clients. In October 2020, its assets under management (AuM) climbed above €400m (\$479m).

How has a firm as new as this coped with the trials and tribulations of 2020?

Moonfare CEO Dr Steffen Wells tells *PBI*: “From a company perspective and an operational perspective, we had to deal with the same difficulties as everyone had. So you shut down, everything is in remote work, a very new experience for the team and me. We have been working basically 100% remotely the entire lockdown. “For a technology company, it's easier, than for an offline traditional business. But it poses some challenges in terms of phasing in new employees, keeping the spirit up, etc. But I think overall, we managed very well. It sounds cynical, but Moonfare is one of those businesses in the digital space that's actually benefiting from Covid-19.

“People are getting more used to the new tools, the Zooms of this world, and do things more digitally. After a very short down period in March, when we didn't know how to deal with it, business picked up in April significantly. And since then, we had record month after record month, so May was our best month ever. Then it was broken by June, it was broken by September.”

Is being based in technology an advantage? Yes, but it cannot just be that.

Pauls continues: “Another thing that played

to our advantage was the sudden perceived volatility in the markets.

“We launched our first what we call B2B Partnership, which is a partnership with one of the oldest and largest German private banks; Berenberg.

“This went live, actually during lockdown, and was a very successful launch in terms of customer feedback, but also in terms of AuM.”

As shown in the research from UBS, wealthy individuals are expecting and accepting change. Many could start looking to diversify their portfolios with a new firm such as Moonfare.

“Of course, it's a natural trend,” Pauls explains. “If you take today, people that are in their 30s, they probably will never use the traditional banks.

“Even I don't have a relationship anymore with a traditional bank. It's very much, I believe, a matter of age and technology, openness, how technology savvy you are. More and more people do accept and do look for non-traditional banks and wealth management service providers in the digital space for convenience reasons. Trust has increased in the space.”

EMBRACING DIGITAL

There are firms that have been involved in technology and digital for longer than Moonfare. Are people turning towards these firms? Will the long-established relationship

with modernity be an aid?

InvestCloud sprung from six founders and a garage in California, USA, in 2010. The core tech innovations were made “right at the end inception of the company”.

Speaking to *PBI*, Mark Trousdale, chief growth officer, explains InvestCloud’s innovation: “We have out digital warehouse [see boxout] and the other big piece of innovation was what we call programmes writing programmes, or PWP, and that’s our code generator.

“It’s an AI powered code generator, that allows non technologists to produce 100% of the UI that you see in our product and large chunks of the rest of the product stack.

And so, as a result, part of the appeal, for me personally coming across, besides knowing some of the founders, and respecting them already was, the attention had been paid to core investments rather than just having a tool that does this day one, or that, and that was important, because structurally, we’re very different.” Product coverage has grown, even if ideals have remained the same.

It started off in asset services and wealth management, but InvestCloud is now involved in much more. This includes rebalancing, performance measurement, and portfolio accounting.

Expansion was made easy due to the firm being cloud native and has grown outside only the US to Latin America and the Asia Pacific region.

DISRUPTION

In terms of disruption, Trousdale believes “any digital is disruption”.

He says: “The electric light did not come from continuous improvement of candles.

The reason I’d say we’re not disruptive in the sense of breaking everything and causing chaos is because not everything has cliff edges. There are some step changes, say, getting rid of all paper statements.

“There are opportunities to improve digitally in a lot of different ways. And that doesn’t mean trashing everything you’ve got.”

But what about the digital push in 2020 during the COVID-19 pandemic? Has this been disruptive?

Trousdale concludes: “If you just look at what happened this year with remote work and remote communications and not being able to meet your clients, there’s been a huge change to the way people are really forced to communicate. We’ve run our own studies, and we’ve got a data science practice as well.

On our platforms for newly won clients, we’ve seen an uptake of 34% in 2020 in online activity.

“That may not sound like a really high number. But that’s shockingly high for InvestCloud because you got to remember, we’re already offering inherently digital portals. So to see 34%, more digital on digital is a huge uptick.

“I also think it’s a little bit of a misconception

or a mistake, to assume that there’s less human in digital. Obviously, if you’re not face to face, like, it feels less human.

We use a lot of behavioural science and we also focus a lot on digital personas and sets of user needs online. The more you focus on personas and digital needs, the more you’re actually investigating another facet of the person’s personality.

“With personas, you build more of an understanding of how a person really likes to be communicated with.

That’s not necessarily something that a lot of wealth managers have focused on because they just do their thing live and traditionally when they meet [clients].

“When you do that and you use a digital portal to reflect the interests and preferences of the investor back to him or her, then that’s real empathy. Empathy is understanding the feelings of another and reflecting it back. You can do that in a digital way.

That means digital communication mediums can actually be more personalised and more individualised, and therefore highly empathetic. I’m not sure that that’s obvious to the industry.” What both Moonfare and InvestCloud show is a changing mindset from both clients and the sector.

A situation often described as the “new normal” is fast becoming plain normal. Furthermore, wealthtech was quick to adapt. Incumbents must learn from this or be left behind. ■

MARK TROUSDALE EXPLAINS THE DIGITAL WAREHOUSE

It is a digital data warehouse. The reason we call it a digital warehouse is because it’s in the cloud. We’re cloud native, that’s how we’ve always operated. This was almost a liability in 2010, but the world has thankfully moved on, and accepted cloud, for the most part.

Secondly, it manages both structured and unstructured data, which is unique. A lot of classic data warehouses did well with structured data, like transactions, holdings, and prices. The no brainer stuff for financial services but did not deal well with things that were unstructured.

Some companies put these in a separate lake and said, “we’re not going to try to run any analysis or organise this data at all”. We accommodate the kinds of things you put in a data lake, but we do it in a structured way with metadata so that it can be combined with structured data.

For example, the ability to look at a holding or a position value as an investor on your portal and then also pull up a voice memo from your relationship manager or adviser,

that’s inherently a form of structured data being combined with unstructured data.

Another example is associating pictures of my kids or my spouse or my favourite place to travel with an account that I may have managed by a wealth manager. It is those kinds of things, whether it’s stocks, voice memos, the unstructured part of things that we feel is important, Twitter feeds, all those things that are not neatly structured data. We call it a digital warehouse, because it does those things that classic data warehouses don’t.

Also it’s in the cloud. And then there’s a few other more technical things that it does, which are unique. It has an in-memory data store, so it’s super-fast in terms of recall and pulling forth.

Some data warehouses of yesteryear were places you could put data in, but then you can never really get it out that easily. Those are a handful of the reasons why we call it a digital warehouse. ■

THE BANK HOLDS THE MONEY, BUT WHO HOLDS THE BANK?

What if clients owned their bank? The idea has been floated before but not necessarily in private banking or wealth management. Is it even possible? A new firm thinks so and had decided to launch. *Patrick Brunsanahan* writes

Wealthfusion, a multi-family office co-owned by the clients & the team launched in January 2021. It covers wealth management, as well as a parallel property private office to cover the development needs of investment properties of our clients. On day one, it will have combined assets under management (AuM) of over \$450m on day one.

The firm aims to be a proposition more “emotionally intelligent” than the norm.

This is according to Udit Garg, managing director at Wealthfusion. In the UK for twelve years, he set up an Indian family office and met a number of “amazing families” whose funds he managed.

Eventually, Garg and two colleagues from Sun Global decided to start their own venture. It wasn't even their idea.

Speaking to *PBI*, Garg explains: “These families have pushed me into Wealthfusion by saying they will support us, they will be our equity holders, and our business, despite being a start-up, is not a start-up in a different way.”

CLIENTS AND OWNERS

Wealthfusion is owned by holding company Moneypenny Capital. In turn, Moneypenny Capital is two-thirds owned by clients. Garg says: “We decided to set

up Wealthfusion, because we wanted to encourage similar families to come to us. The kind of families we work with. Most of them are UK-based entrepreneurial families into their 60s and still working. They still have 10-13 years of productive life left. Some of them are also professionals, working for large organisations. But we decided to start to offer a bit more than just wealth management, which is where we are a bit more different from the market.”

One of the products that makes the proposition different is Moneypenny Developments. This helps firms develop their projects, from council approval to architects and developers. In Garg's words, you end up “actually paying yourself to do this work” and it becomes an “extremely attractive” idea.

Why take up this certain business model?

Garg says: “Because the togetherness has been there for so many years.

We realised that this is a real business which can actually be better by being self-managed.

“In the end, any business which sets up or grows needs equity. We have the option of going to a private equity player or large organisation for them to be an institutional investor, but we chose not to because we don't need them right now.

“If it was yesterday and there was a call from a large PE firm which works within the event management or M&A spaces and they

said, “Listen, we know of commodities, we have to invest in your platform” then yes.

“Otherwise, we don't need the money because we already have so much capital raised from our shareholders.

The time will come for that in two or three years down the line, when we want to institutionalise our platform. The time will come when we will need one of these big boys to give us the direction, which will move us into the next stage. But I don't believe that is right now.”

FUTURE

As of launch on January 1 2021, the firm is directly authorised by the FCA and is a team of four. Garg guarantees that Wealthfusion will be “hiring more and more people” this year. But what else is the firm planning in its first year?

Garg concludes: “Our mission statement for the year 2021 is continuity. All I'm doing is moving from one platform to another, which is contrary to my other mission statement which is hypergrowth. We are looking to grow significantly in Kenya and Nigeria, because some of our shareholders are very well known families in Kenya and Nigeria.

“And the second focus area for us is a particular industry, it is a cash and carry operators.” ■

A NEW CHALLENGER ARISES BUT CAN ITS LEADERSHIP ATTRACT QUALITY CLIENTS

Wealthtech Vestrata launched with a \$4m funding round backed by industry insiders. Its initial team is comprised of senior executives from some of the biggest banks in the world. Is this going to be a breath of fresh air or more of the same?

Patrick Brusnahan writes



Mark Le Lievre, Vestrata

The new wealthtech boasts more than 20 years of combined experience in its leadership team.

It is led by Mark Le Lievre, co-founder and CEO, previously of JPMorgan Private Bank and UBS Wealth Management, and:

- Doug Wurth, chairman, formerly led the international Private Bank and Alternatives businesses at JPMorgan;
- Kim Lennen, CTO and co-founder, former CTO of JPMorgan Private Bank (Europe);
- Lea Blinoff, head of solutions, former managing director at JPMorgan;
- Arun Sinha, CMO, former CMO of JPMorgan Wealth Management;
- Eric Laget, chief legal officer, former in-house counsel at JPMorgan Asset Management;
- Tim Riseborough, CFO/COO, former COO at HSBC Commercial Bank, and
- Sarah Newman, CCO, former head of investment products at Barclays Wealth Management.

How is Vestrata different then? With a team from a number of incumbent banks, is it easy to fall back into tradition?

Speaking to *PBI*, Le Lievre says: “I was very privileged for 20 years to work at JP Morgan, and it is an amazing organisation as a product manufacturing machine in the private bank. In 2016, I joined UBS. It was very effective in delivering world class digital content to clients; the way it used technology to distribute investment ideas to clients in a very targeted and structured way.

“My realisation of being in those two

wonderful firms was if you took the product manufacturing capabilities and the product skills of JPMorgan, and married them with the digital content and technology skills of UBS, you had a very compelling and differentiated solution.

“Vestrata came around in thinking about how do you marry world class investment solutions and integrate them within a technology solution, as opposed to every other wealth management firm that's out there right now, which is either a technology provider or a content solutions provider. That is the whole concept.”

ESG

Something that Le Lievre wants to focus on is the ESG proposition at the firm.

He says: “When you look at the team infrastructure, there's a very strong ESG heritage.

“We really are going to focus on ESG as one of our cornerstone offerings, along with alternatives and advisory. We're looking at doing some very differentiated solutions, both on the investment side and the technology side. On the investment side, we're looking at designing some thematic ESG solutions that are going to be very differentiated from what you see in the marketplace today.

“On the technology side, we're in the process of, as we build and enhance the platform, incorporating ESG preferences as required by the new European guidelines.”

This is an exemplary way of “emotionally engaging with clients” and providing solutions that “resonate and pull at the heartstrings,

whilst also making them look really smart at cocktail parties”.

Who is Vestrata aiming to entice with its proposition?

“Our target markets to start with are Europe and Asia. To be frank with you, we originally thought that we would start with targeting the UK and Switzerland, but actually, we've seen so much interest in the proposition,” Le Lievre explains.

“We've been far more opportunistic than that. The target market is now Europe and Asia, but focused on the medium tier segments of private banks and wealth managers, and by medium tier, that could be anywhere from \$5bn of assets up to \$120bn of assets.”

He claims that the medium tier in private banks suffer from three things:

- Struggling to scale and automate their regulatory and compliance infrastructure;
- Struggling with fundamentally high cost income ratios, and
- Mediocre infrastructure which leads to struggles with client engagement.

Le Lievre concludes: “Our medium-term target is to attract approximately six clients per annum. We're seeking quality over quantity. We're about to launch our first client in January. And that's a very high-quality boutique, ultra high net worth UK wealth manager that would be well known to you.

“Basically, the target is to onboard a high-quality handful of clients each year. And, as I said before, deliver world class investment solutions within a world class technology platform.” ■

OPPORTUNITIES TO EXPAND AND RETAIN

Already at the start of 2021, there have been some exciting developments. After the chaos of 2020, private banks are starting to look at ways of making up for lost time. Robo-advice, hybrid approaches, changes in strategy, these are all being considered. *GlobalData Financial Services* writes

Wells Fargo announced early in January that it was exiting the offshore wealth management market to focus on US resident clients. While the US retail banking giant has only a tiny fraction of its client assets under management (AuM) derived from offshore business, it would be a major boost for any bank looking to grow in the offshore wealth market, particularly for those with interest in Latin America.

The major US bank's private wealth management arm has been ailing in recent years, with negative net new money in 2018 and 2019 along with a rising cost-to-revenue ratio. It is not surprising that the bank was looking at ways to trim costs, and the offshore wealth management sector does carry with it added regulatory burden and risk. Moreover, the scandal-scarred bank would undoubtedly be keen to avoid any further reputation risk from a relatively high-risk line of business like offshore wealth management. The bank's account fraud scandal at its Community Bank (retail banking arm) has contributed to its poor net new money figures.

Indeed, offshore wealth management has only really been a sideline for Wells Fargo. Only 330 of its 13,512 wealth advisers were designated international advisers in 2019. This doesn't mean its offshore business is inconsequential, however. Those 330 international advisers could account for up to \$5.86bn in AuM, based on the company-wide averages. Already, many US wealth boutiques are expressing interest in hiring stranded advisers.

However, Wells Fargo could also tempt other major international private wealth managers looking to tap into the expected growth in offshore wealth management due

to the COVID-19 pandemic. Half of private wealth managers surveyed by GlobalData in Q2 2020 predicted an increase in offshoring by their clients.

With Latin America hard hit by the pandemic, it is likely to be at the forefront of this trend, and a large portion of the Wells Fargo offshore client base is drawn from the region.

Other major US wealth brands like Citi (already a major bank in Mexico) are most likely to benefit as advisers and their clients seek to stick with trusted banking brands. If so, there will be little noticeable shift in AuM, as these players are already giants in the US. However, small US arms of Spanish and Canadian banks or even HSBC (also a major bank in Mexico), that have long developed a presence in the region and the US wealth market, may find Wells advisers knocking on their door too.

Attracting a substantial number of Wells international advisers would have a noticeable boost to client AuM being managed by these international banks in the US. Time to refresh onboarding procedures, though hiring during a pandemic will be a challenge.

COVID-19: A multi-channel experience is paramount for retention

The wealth management industry is undergoing a noteworthy digital transformation, but it is a two-sided coin. As the COVID-19 pandemic accelerates the importance of utilising technology for traditional players, it has also shown that a hybrid model is a must-have for digital entrants.

Yes, the wealth space is embracing technology at a faster rate than in the pre-COVID-19 era, but learnings from

robo-advice show that human advice remains necessary. When financial markets are volatile, investors demand more communication with a human adviser for reassurance, revaluation of their investment strategy, and experienced advice.

So as robo-advice goes through its first big test of weathering a market storm, investors will prefer a human to discuss their portfolio with. The coronavirus crash will therefore cement the need for having a human option on a robo-advice platform.

Current robo-advisers or new entrants who do not offer this feature should be prepared to risk losing out to hybrid competitors after COVID-19. On the other hand, for traditional wealth managers, the COVID-19 pandemic will have forced advisers to work from home and engage with their clients through video chats, chat apps, and email or phone calls – mediums that were rarely used outside of the private wealth management tiers prior to the restrictive circumstance the world is in.

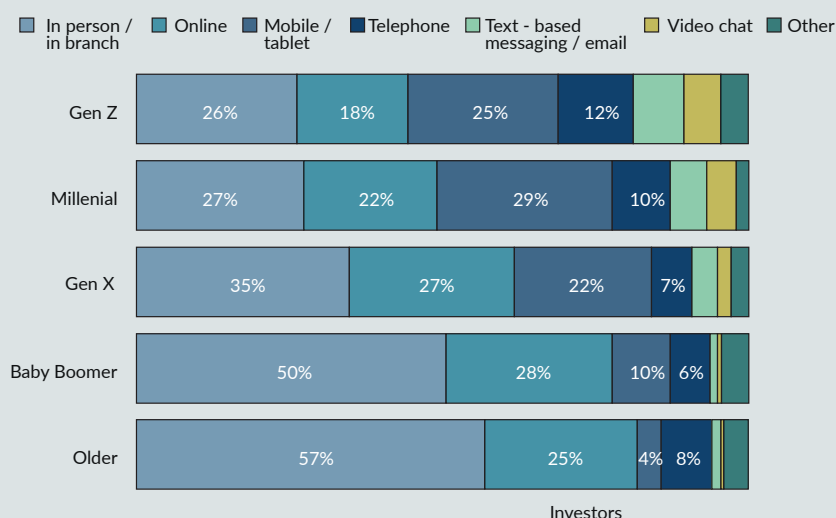
However, it will now likely become the norm as retail investors get accustomed to new ways of interacting with their adviser. Our 2020 Banking and Payments Survey aptly demonstrates that clients of all generations are demanding a multi-channel experience too.

Therefore, it will be vital that traditional players build on the new experience they've been forced to provide their customers with.

Unsurprisingly, 51% of millennials now prefer using online or mobile channels when arranging their investments. But it should also be noted that the older generation, too, embrace digital channels.

Providers should keep note that different generations will have different proficiencies in using technology, so customising this to be

Preferred channel to use when arranging investments - Global



Source: GlobalData's 2020 Banking and Payments Survey

easily digestible for the customer will be key.

This will also aid in differentiating between competition as in future years, customers will be opting for players based on how good their multi-channel experience is for them, as opposed to whether they have one or not.

An individualised experience is being yearned for across financial services.

Providing a multi-channel experience is one avenue to reaching the personalisation clients desire.

Robo-advice for sophisticated investors: We are not quite there yet.

Demand from investors for automated or

robo investment services has been on the rise globally. But to fully infiltrate the HNW space, greater sophistication is needed.

There is no question about it – automated investment services are revolutionising the investment landscape, and demand is no longer only limited to the retail space. 56% of wealth managers targeting HNW investors expect to lose market share to automated investment services in the next 12 months, while only 17% do not.

However, to ensure customer stickiness and make real inroads into the HNW space, more than a couple of exchange-traded funds (ETFs) and portfolio rebalancing are needed.

GlobalData's 2020 Global Wealth Managers Survey found that one fifth of HNW onshore assets are kept in execution-only accounts, and penetration of such accounts is likely to be almost universal across the investor base.

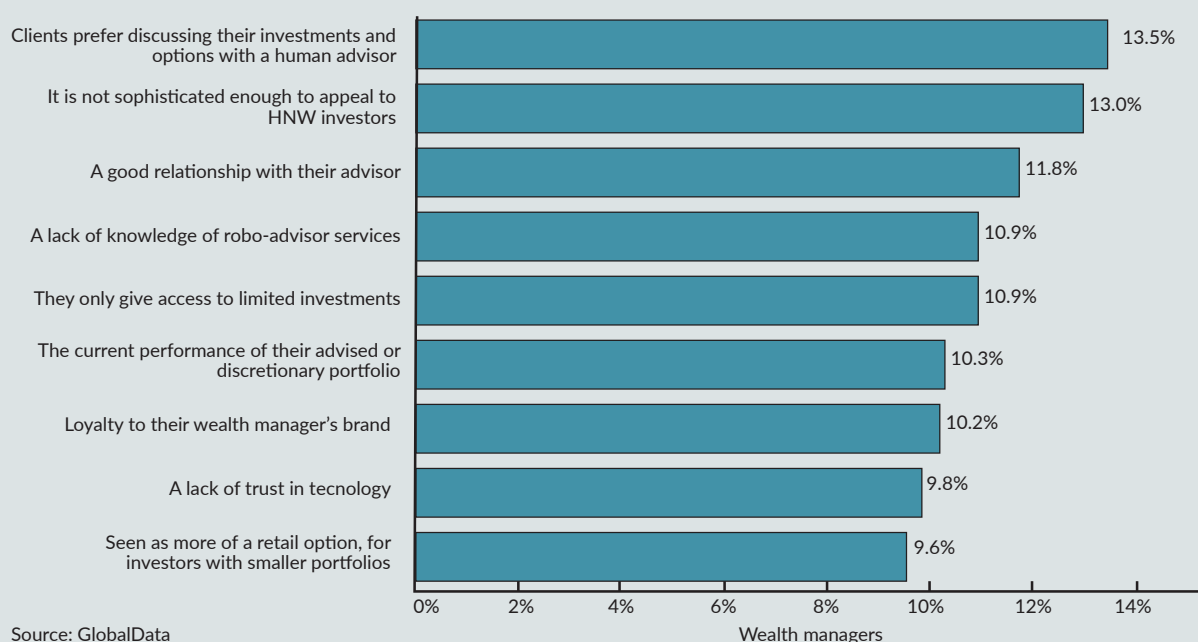
While the sophistication of automated investment services is on the rise, they predominately rely on basic risk assessments to assign users to a portfolio consisting of a number of ETFs. The proportion assigned to each is then automatically rebalanced when securities change in value to bring a user's portfolio back to a specified allocation.

This means investors are essentially paying for a more sophisticated digital interface and automatic rebalancing, given that access to ETFs through an old school online trading platform only requires a one-off fee in most instances, and that ETF annual expense ratios do not vary depending on the channel.

Admittedly, robo-advice fees tend to be low, with most providers charging a flat fee of 0.2% to 0.5% of assets under management. Yet in the absence of more sophisticated features, access to basic ETFs and automatic portfolio rebalancing are unlikely to convince HNW investors to channel substantial sums into an algorithm, when they can just as easily gain access via a trading platform.

Indeed, a desire to discuss investments with a human adviser and a belief that robo-advice technology is not sophisticated enough are the single most important deterrents to uptake in the HNW space as per our survey data. ■

"What factor most deters HNW clients from using robo-advisory services?"



Source: GlobalData

THE IMPACT OF COVID-19 ON THE DATA APPETITE AMONGST INVESTORS

There is only one thing more prevalent than Covid-19 in today's society - data. This prevalence, and the accelerating processes of digitalisation, reinforces the need for firms to master the asset. *Hannah Wright* writes

A new report from Refinitiv - *The Gold Standard: Redefining Investor Data Needs* – has examined the evolution of data needs and digital expectations amongst investors, now and for the future.

The research, completed in September 2020, collates responses from 1,030 self-directed and advised mass affluent investors across nine countries: Australia, Canada, China, Hong Kong, Japan, Singapore, Switzerland, the UK and the US.

Amongst the findings are three overarching themes: growing appetite for data, increasing demand for alternative data, and the importance of filling the ESG data void.

DATA APPETITE

The Covid-19 pandemic has triggered an increase in investor trading activity, particularly amongst millennials. Attributed to the persistent uncertainty in financial markets, 59% of active investors reported to have altered the frequency of their

portfolio changes. Amongst millennials, 44% accelerated their investing frequency during the market volatility, when compared with 22% of older generations. Despite these increases, 39% of investors do not feel equipped with the data and content to make investment decisions. Needs are rapidly changing amongst investors, advised and self-directed alike. Joe Mrak, global head of wealth management at Refinitiv, described “the importance of trusted and accurate data” in the face of “unprecedented change”.

For investors, the availability of data and digital capabilities are of paramount importance if they are to capitalise on lucrative future investment opportunities and avoid potential risks. The report advises: “Wealth management firms should reassess the channels and formats of the content delivered to optimize insights for the current market environment.”

ALTERNATIVE DATA

Mrak continues: “Our research shows that investors across the board, whether self-directed or advisory clients, have a growing need for a more comprehensive data offering that spans traditional analysis and non-traditional alternative data.”

Whilst data is important, it is analytics that render the most power. The ability to make sense of the data will help give investors the edge on emerging opportunities, particularly within pharmaceuticals and healthcare, which dominate the focus of 66% of investors surveyed. According to the research, most investors are data savvy: “Our study indicates mass affluent investors are adept at navigating multiple sources of insight to manage their portfolios, engaging with price performance and macroeconomic data, asset fundamentals, news and policy announcements.” 54% of investors surveyed believe news analytics would revolutionise the process of choosing future investments. Alternative data is already

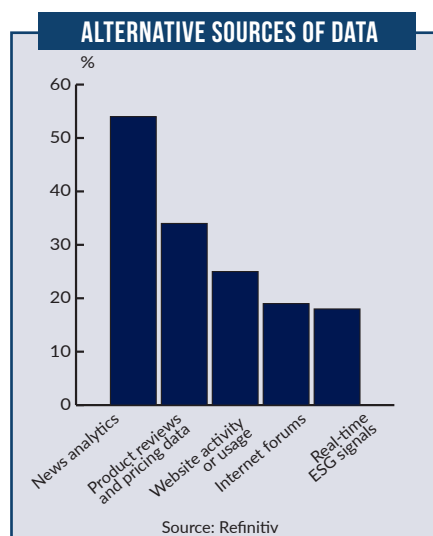
popular amongst investors exploring favoured sector opportunities. This will enable wealth management firms to enhance client loyalty. Meanwhile, despite their prevalence across the industry, a third of those surveyed do not find webinars useful. In the current context of widespread remote working, providers must monitor and evaluate their content, user experience, expert commentary or data underpinning their webinars, which in the eyes of many, are falling short.

Whilst some investors want bite-size insights delivered through podcasts, webinars and videos, many deem this content level insufficient. Crucially, content must include powerful data-driven insights. Taking advantage of this demand, disruptive firms will introduce more non-traditional data sources offering valuable additional context for investment decisions.

ESG

According to the report, 2020 has been a year in which many individuals “have had their social consciences awakened by the humanitarian and economic impact of the pandemic”. As a result of this, interest in ESG has mushroomed. 34% of investors are more interested in ESG investing than they were 6-12 months ago and amongst millennial investors, this figure rises to 61%.

However, the absence of high-quality data is particularly stark within ESG. Wealth providers must ensure that any data is “visually approachable and easy to understand” given both the novelty of ESG and the lack of universal standards for the increasingly popular theme. Consequently, investors must be empowered with high quality data to screen out risky opportunities, or those engaging in greenwashing. Mrak concludes: “The industry will need to continue advancing in critical areas such as ESG to empower investors to make decisions with confidence.” ■



Are there any alternative sources of data that you would find useful as you make investment decisions?



COMMENT: RBC BUBBLE TROUBLE?

Given the exuberance in different pockets of the market, it's fair to wonder if we're seeing a bubble inflating close to a bursting point. It is time to take stock of the signs of excess and look at how to position portfolios through this period. *Frédérique Carrier*, head of investment strategy, RBC Wealth Management, writes

Concerns are mounting as to whether financial markets may have entered bubble territory over the past few weeks. Certainly, instances of excessive behaviour in markets have become apparent, and, it seems, more frequent.

The usual key ingredients to form a bubble in financial markets include cheap credit or easy money and an enticing narrative, with both resulting in excessive behaviours and valuations. The dot-com bubble is a case in point. With central banks increasing money supply ahead of the transition to the new millennium and the new possibilities offered by the internet leading to a tantalising narrative, the Nasdaq went up more than fourfold from the beginning of 1995 until it peaked in early 2000. Then, with money supply starting to tighten, the bubble burst. By the end of 2002, the Nasdaq had lost more than 70 percent of its value. Today's financial markets are grounded on easy money, and many market observers are worried about the impact of a reversal of central bank policies when the pandemic ultimately ends. Such concerns are valid, in our view, but we see the situation as a growing number of red flags rather than a definitive sign that we are in a bubble that is about to burst.

Red flags accumulate

There are visible signs of excess in financial markets as loose monetary policy and record-low bond yields push market participants to take on more risk. There have been several examples recently of market participants displaying FOMO—the fear of missing out—and assuming consistently rising prices rather than rationally assessing the value of an investment. Investor attitudes are being shaped by the headline-making gains of some

high-profile issues. For example, the 35% gain made by Bitcoin in the first nine days of 2021, on the heels of a fivefold surge in price from March to December 2020; or the more-than-sixfold increase in GameStop shares in less than two weeks to Jan. 26; or even Tesla, now the fifth-largest stock in the S&P 500 by market capitalisation, with a market cap larger than that of the major US, European, and Japanese automakers combined. Interestingly, some of these have an enticing narrative and are perceived as providing a foothold in the economy of the future.

Other signs of excess include the increased participation of individual investors (aka retail investors) in markets. Being stuck at home due to pandemic lockdowns and restrictions seems to have spurred an influx of day traders. Another marker is the volume of initial public offerings (IPOs), which has reached a rapid pace, with \$347bn worth of IPOs announced in 2020 despite the pandemic, more than double the \$165bn announced the prior year, per data from Bloomberg. Moreover, according to a University of Florida report, the median age of companies coming to the market as IPOs in 2020 was nine years. The median age of companies going public hasn't been this young since 2007, the year the stock market peaked before the global financial crisis.

Stretched, but not overly

It would be remiss to ignore these warnings and we repeat our call for vigilance. But we see less evidence of bubble territory when we look at stock market valuations.

On the surface, US equities appear expensive at 22.3x the 2021 consensus earnings estimate for the S&P 500. After excluding the five largest technology-driven stocks (Apple, Amazon, Microsoft, Google,

and Facebook), which constitute more than 20% of the S&P 500's market capitalisation, the forward price-to-earnings (P/E) ratio drops to 17.5x, according to our national research correspondent. This compares to a 10-year average of 16.4x for the S&P 500 as a whole, suggesting to us that while valuations are expensive, they are not significantly overvalued. Valuations elsewhere are also elevated and above their long-term averages, but they remain far below the heights reached at the time of the dot-com bubble. These higher valuations are underpinned by bond yields which are currently at historical lows.

Equities' currently high valuations are susceptible to declines if bond yields climb as the economy recovers. But we think any increase in yields will be contained this year, although the 10-year Treasury yield has the potential to rise to around 1.5% versus the current high of one percent, which if reached would leave it about where it was pre-pandemic and well below the 2.1% it averaged in 2019. With elevated unemployment levels and a full economic recovery still years away, we believe the Fed will very likely maintain its current loose monetary policy stance, even if inflation picks up over the next few months. Likewise, other major central banks are likely to keep monetary stimulus in place. Tapering by central banks, or the reduction of monetary stimulus, is unlikely before early 2022, in our view. Still, a pullback or correction cannot be ruled out, as much enthusiasm seems discounted in equity prices. The frothiest, most extended parts of the US market would be most vulnerable, in our opinion. Difficulties with vaccine rollouts and delays in reopening economies that lead to disappointing earnings guidance could all trigger profit-taking. ■

ROUND-UP

UBS TO SHRINK SWISS BRANCH NETWORK IN DIGITAL PUSH

Swiss investment bank UBS is reportedly planning to shutter 44 of its 239 branches in Switzerland over the next few months in a bid to focus on digital channels.

The move will not lead to redundancies 'at the moment', UBS Switzerland director Axel Lehmann said in a memo to employees seen by Reuters.

Nearly 150 employees, who will be affected by the closures, will be redeployed across the bank.

UBS is also launching a pilot programme in March to train advisers for more remote advisory and digital sales as part of its shift towards digitalisation.

UBS, which previously had around 300 branches across the country, closed 28 of them last year.

According to Lehmann, the over-the-counter transactions in the bank's branches plummeted by 10%, and two-thirds of clients currently use digital services for their banking needs.

Citi establishes new single wealth management organisation

Citi has merged its wealth management teams in Global Consumer Banking (GCB) and the Institutional Clients Group (ICG), establishing a single wealth management organisation – Citi Global Wealth.

Led by Jim O'Donnell, Citi Global Wealth is an integrated platform catering to clients across the wealth spectrum, from affluent to ultra-high net worth (UHNW) individuals.

In keeping with the increasingly global nature of client wealth, O'Donnell commented:

"We are committed to helping them preserve and build wealth for themselves, their families and for future generations."

O'Donnell, who joined Citi in 1999, was previously responsible for the distribution of global market products to Citi's equities, fixed income, currencies, and commodities clients, in his role as global head of investor sales.

Including both Private Bank and Personal Wealth Management, O'Donnell will report to Anand Selva and Paco Ybarra, CEO of GCB and the ICG, respectively.

ROCKEFELLER CAPITAL MANAGEMENT STRENGTHENS PRIVATE WEALTH MANAGEMENT BUSINESS

Rockefeller Capital Management has bolstered its private wealth management business by adding wealth teams The Faro Group, The DBT Groups, and The Bergman Wealth Management Group. Based in Boca Raton, Florida, The Faro Group is headed by managing director, private wealth advisor



and portfolio management director Nelson Faro.

The team also has Forrest as senior vice president, private wealth advisor and sports and entertainment director and Kyle Faro in the role of senior vice president and private wealth adviser.

REYL Group renews partnership with Swiss Paralympic ahead of Tokyo 2021

Switzerland-based REYL Group has renewed its partnership with Swiss Paralympic leading up to the 2021 Tokyo Games. The collaboration between REYL and Swiss Paralympic has been in place since 2019. Through the deal, the group supports the Swiss athletes selected to take part in future Paralympic Games, including Tokyo 2021. In addition, the aim is to smooth the path for their athletic careers and personal development by helping them prepare for challenges at Paralympic level.

CRYPTO FINANCE GROUP AND AVALOQ LAUNCH TRADING SOLUTION

Crypto Finance Group has implemented its brokerage solution for crypto assets with some Avaloq banking clients.

Financial institutions and their clients can now initiate crypto asset trading, settlement, and storage with automated, real-time reconciliation. Furthermore, Avaloq and Crypto Finance are attempting to power financial institutions in offering a seamless digital experience. It also continues the partnership between Avaloq and Crypto Finance to integrate crypto assets into a core banking platform.

Northern Trust expands its offering of climate aware strategies

Northern Trust Asset Management has rolled out a sustainable emerging market green transition index strategy, which focuses on climate change. The new strategy is said to complement Northern Trust's existing World Green Transition Index strategy, which was introduced in 2019. Combined, these strategies enable investors to get climate-aware exposure to the MSCI ACWI universe through custom indices designed by Northern Trust Asset Management and managed by MSCI. They leverage the MSCI World Index and the MSCI Emerging Markets Index as their parent indices.

FLEXPOINT FORD MAKES £224.5M OFFER TO BUY UK FINANCIAL PLANNING GROUP AFH

American private equity firm Flexpoint Ford has entered into an agreement with the independent directors of British wealth consolidator AFH Financial Group on the terms of a £224.5m (\$307m) offer to acquire the latter. The all-cash offer, subject to shareholder and regulatory approval, will see Flexpoint Ford pay 463p in cash for each AFH share. The transaction will be carried out through Bidco, a newly incorporated company formed for the purposes of the acquisition. It is indirectly controlled by funds managed by Flexpoint. ■

THE INVESTOR'S GAMBIT: HOW CHESS CAN IMPROVE YOUR TRADING

In the tumultuous year that has been 2020, the trendy Netflix show, *The Queen's Gambit*, has driven an unexpected surge in popularity for the traditional board game, Chess. *Michael Kamerman*, CEO of Skilling, writes

Eight months ago, when the world was still in the midst of the coronavirus pandemic, people around the world suddenly had the surprising problem of having to fill newfound free time. Millions turned to chess. However, before its popularity exploded as it became a coping mechanism for the crisis, the humble game had been steadily experiencing a growth of interest for years.

This can partly be attributed to Magnus Carlsen, the celebrity chess Grandmaster with more than 700,000 followers across his Twitter and Instagram. Magnus himself also rose to fame when he applied his unlikely skills to Fantasy Football, in which he became the top ranked player in the world for the 2018/19 season. The chess maestro's apparent ease of success when transferring his chess skills left many thinking: could I transfer my newfound chess skills?

The answer is, undoubtedly, yes. Magnus' success is no anomaly, indeed many of the disciplines that chess teaches are applicable in other fields. Here are just a few of these lessons that can be applied in trading and elsewhere, for long-time players and newcomers alike.

STRATEGIC THINKING:

Unsurprisingly, you won't get far in chess without a strategy, much could be said the same for life and in business – particularly with trading. One of the biggest similarities with chess and trading is that the players who think long-term are the most successful. Personally, I always believe there is a need to develop and execute a well thought out strategy when approaching new, unfamiliar situations. Whatever the task may be. Proactivity is key. It's always better to be the one dictating the game, rather than being forfeit to the pace set

by your opponent or other external factors.

CRITICAL ANALYSIS:

Being able to objectively analyse your moves will only ever stand you in good stead for whatever challenges await. As part of developing your strategy, you must be critical of not only any external contributing factors but also yourself. Fundamental to any plan is the ability to effectively analyse the conditions of play and develop the forethought to anticipate events before they happen.

Nobody can predict the future, especially in uncertain environments such as trading, but spend more time in market analysis and less time making impulsive choices. Leaning on foresight will give yourself an advantage over competitors and unpredictability. Hindsight is a wonderful thing, but forethought can be more useful.

THE PSYCHOLOGICAL EDGE:

There will always be moments out of your control. A pivotal instant of inspiration from your opponent, or perhaps a jerk reaction from an all too volatile market. Devastating as it may be, it's crucial to maintain composure. Rely on your perspective and psychological balance to overcome arduous moments. Emotive, impulsive, and rash decisions generally don't pay off in your favour and can even worsen the situation for yourself. Skilled players recognise short-term setbacks for what they are: obstacles that will be overcome through determination and perseverance.

ADAPTABILITY AND DECISIVENESS:

While it is important to avoid ill-considered

actions and carry out your methods with a touch of caution; this should not come at the sacrifice of failing to act when opportunities present themselves. Always be ready to take advantage of openings, think logically and of course act rationally but there will be moments that can be capitalised on.

What separates the great from the good is those who adapt, and decisively exploit these moments, even if it may deviate from their original strategy.

My favourite definition of luck is that it is, in fact, when opportunity meets preparation.

NEVER STOP LEARNING:

The best mindset in life and in chess is the one to never stop learning.

The greatest chess players never become complacent, to them there is never a minute of indolence as the moment you stop evolving as a player is the same moment you start to regress.

Every challenge, every opponent you face is a learning opportunity. Even the savviest and experienced chess player understands the need to continue their study of the game.

They always have a desire to master new methods, to play the next best opponent. This is my greatest lesson for trading. Never consider yourself advanced enough or unable to find new strategic openings.

Never be afraid to try new things, for example, develop your ideas in demo accounts to prevent non-essential losses, always accumulate knowledge and continuously work on your strategy.

These fundamental parallels between chess and trading have contributed to the convergence of financial service providers with the game of chess. It should not be surprising, given the shared aptitude of many grandmasters and trading experts, that mastering an apparently simple board game can hold so many transferable skills.

On the board and in markets, adverse situations are inevitable, but those who continuously evolve and learn how to adapt their style of play will always come out on top. I know better than most, that financial markets are uncertain and difficult environments to thrive in. You have to analyse, adapt and deal with setbacks but with time, you can become successful. ■

Michael Kamerman is CEO of Skilling, proud sponsors of World Chess Champion Magnus Carlsen, and the Skilling Open, the world's first fully online Champions Chess Tour.

PERSONNEL BRIEFING: PEOPLE MOVES

PBI lists the month's key career developments by the movers and shakers in private banking and wealth management

COUNTRY	NAME	MOVED FROM	OLD POSITION	MOVED TO	NEW POSITION
Lichtenstein	Roland Matt	LLB	CEO	LGT Bank	CEO
Britain	Davina Rich	Brewin Dolphin	Investment Director	Brewin Dolphin	Head of Research
Britain	Guy Foster	Brewin Dolphin	Head of Research	Brewin Dolphin	Chief Strategist
Britain	Edward Bonham Carter	Jupiter Fund Mgmt	Vice Chairman	Netwealth	Chairman
Global	William Sels	HSBC PB	Global Chief Market Strategist for Private Banking	HSBC PB	Global Chief Investment Officer
Global	Jan-Marc Fergg	HSBC PB	Global Head of Wealth Products & Investments, Wealth and Personal Banking	HSBC PB	Global Head of Wealth Products, ESG & Mutual Funds
Global	Patrick Boumalham	HSBC PB	Global Head of Market Products	HSBC PB	Global Head of UHNW Solutions
Luxembourg	Eli Leenaars	UBS	Vice Chairman Global Wealth Management	Quintet PB	Group Chief Operating Officer
US	David Grumhaus Jr.	Duff and Phelps Investment Management	Joint CIO	Duff and Phelps Investment Management	President and CIO
Singapore	Helen Wong	OCBC Bank	Head of Global Wholesale Banking	OCBC Bank	CEO
Britain	Rehana Hasan	Tilney	Group General Counsel and Company Secretary	Brown Shipley	Head of Legal
Singapore	Sharon Chou	Pictet Wealth Management	Alternate Chief Executive for PWM Asia	Pictet Wealth Management	CEO
Britain	Euan Munro	Aviva Investors	CEO	Newton Investment Management	CEO
Hong Kong	Wayne Yang	Baxian Private Investment Bank	CEO	Nomura	Managing Director and Group Head for Greater China
Singapore	Akshay Prasad	Deutsche Bank	Managing Director, Head of Investments Global South Asia	Nomura	Managing Director and Head of Investment Products and Advisory Solutions for Asia Pacific
Singapore	Mohan Kuppuswamy	HSBC	Senior Program Manager, Head of Platform	Nomura	Executive Director of Architecture and Technology, Asia Pacific

ROUND-UP

Banco do Brasil recommences sale process of asset management arm

Banco do Brasil has reportedly recommenced the sale process of its asset management unit BB DTVM.

The bank informed the potential bidders that it expects the delivery of binding offers next month, reported Reuters citing three sources familiar with the matter.

Banco do Brasil did not confirm the news. The state-controlled Brazilian lender initiated the sale process of BB DTVM in 2019, under its ex-CEO Rubem Novaes.

The process came to a halt last February as the lender considered the bids delivered below the par, another source divulged.

Later, Novaes quit the bank and was replaced by Andre Brandao.

BB DTVM, which is said to be the largest asset manager in Brazil, oversaw around BRL1trn (\$183bn) in assets last year.

Franklin Templeton Investments, BlackRock, and Prudential Financial were amongst the interested parties in bidding for BB DTVM last year, the sources added.

ALTERNATIVE INVESTMENT PLATFORM ICAPITAL NETWORK BROKERS DEAL TO BUY AI INSIGHT

Fintech platform iCapital Network, which connects advisers and investors with alternative investment managers, has agreed to purchase the assets of AI Insight for an undisclosed amount.

AI Insight is an alternative investment education and compliance platform. It offers investment research, training, qualification, and compliance support for financial advisers across a spectrum of alternative investments.

These include private capital, hedge funds, non-traded REITs and BDCs, as well as alternative mutual funds.

Moreover, the learning management system developed by AI Insight offers fund-specific e-learning modules on private investment strategies to independent broker dealers and RIAs looking to bolster their offerings.

The deal will enable iCapital to expand the alternative investment education suite for financial advisers.

Mercer Advisors continues buying spree with Hart Capital deal

Colorado-based RIA aggregator Mercer Global Advisors has bought Washington-based wealth management firm Hart Capital Management for an undisclosed sum.

Founded in 1998 by Craig Hart, Hart Capital provides a suite of wealth management services to HNW clients.

The company manages approximately \$440m in assets for its nearly 400 clients and has a satellite office in Coeur d'Alene, Idaho.

This transaction, which concluded on 31 December 2020, adds a team of ten employees to Mercer Advisors.



GERMANY'S WEALTHPILOT RECEIVES INVESTMENT BOOST TO FUEL EXPANSION

German fintech wealthpilot, which provides consumer financial data aggregation software for the wealth management industry, has secured €8m investment in a new funding round.

The company received €3.4m (\$4.1m) from investor Seventure in the round, which also involved the participation of previous investors Bayern Kapital, and MIG Fonds in addition to a group of business angels.

wealthpilot intends to use the proceeds from the financing to strengthen its team and expand its product offering nationally

and internationally.

It also eyes new business among insurers while retaining the strong growth dynamic in its established market segments.

Additionally, the company will invest in the further development of its data aggregation with the aim of offering expanded data interfaces for investments in liquid assets, additional assets including real estate in the transparent overview.

Wealthpilot's digital platform allows hybrid wealth management based on a digital aggregation of customers' financial information.

It automatically aggregates, analyses and plots out all financial information when requested by customers and displays it in a digital overview.

BlackRock files documents to add Bitcoin Futures to two funds

US-based asset manager BlackRock has filed prospectus documents with Securities and Exchange Commission (SEC) to add Bitcoin futures as eligible investments for two funds.

The move reveals the investment giant's intention to enter the Bitcoin market, which will give its clients exposure to cryptocurrency for the first time.

According to news reports, the new filings for BlackRock Strategic Income Opportunities and BlackRock Global Allocation Fund stated that 'certain funds may engage in futures contracts based on bitcoin'.

The filings further added that the bitcoin futures in which the two funds may invest are 'cash-settled bitcoin futures traded on commodity exchanges registered with the CFTC'.

A BlackRock spokesperson declined to elaborate on the move, when approached by Bloomberg.

This comes after BlackRock CEO Larry Fink said in a 2018 interview that the company's clients were not inclined to buy cryptocurrency.

However, the regulatory filings do not guarantee that the asset manager will add Bitcoin futures to the two funds. ■

BUSINESS PROFILE: ISTOX

Digital securities platform iSTOX is preparing for launch. It is garnering funds, a \$50m Series A funding round now finished, and preparing products. What is the firm's plan? How does utilising blockchain give it an edge? *Patrick Brusnahan* speaks to the company

Based in Chongqing, iSTOX utilises blockchain and smart contract technology to skip over manual processes in the issuance and investment space.

As a result, securities can be fractionalised into smaller units and access is extended to a wider base of users.

Patrick Brusnahan (PB): *Is iSTOX aiming for a particular market? Or is it something for everyone?*

Choo Oi Yee, chief commercial officer at iSTOX (OC): At the moment, we're set up for accredited investors, which in Singapore is two million net worth and above.

What our technology does is fractionalises and changes the suitability framework for higher risk investments. Now, we are also starting to see cases where there is a big potential for B2B connectivity as well. Could we solve more bespoke problems using our tech?

For example, could we simplify the cost of issuing a structured product? Could we increase speed to market? Could we help investment banks look for that additional distribution space? For smaller family offices or external asset managers, could we be the conduit for operational efficiency? There are some deeper use cases there.

At the heart of it at the moment, we see our investor base as guys who hold from SGD2m to SGD20m in net worth, now slightly underserved by the private banks.

We have one of the top global macro hedge funds on our platform. And frankly, even if you were worth SGD5m, you wouldn't really get access to that hedge fund, right? Because your minimum investment size is SGD1m, you're not going to allocate 20% of your net worth into a single hedge fund. We have the ability to fractionalise that. We took that

down to SGD50,000. But from the hedge fund's perspective, they're very happy, because they have now a single point to distribute to a broader base of investors.

We think our investors are very happy. But they see that as also a way of working with us to expand into the slightly lower



Choo Oi Yee, iSTOX

tier high net worth space.

PB: *When pitching yourselves, how do you lead? With the technology and blockchain?*

OC: We obviously think we're very tech savvy and very smart.

At the end of the day, to investors, they don't care whether it's blockchain or otherwise. We don't ask the London Stock Exchange, "hey, what technology are you on?" It really is about access to products. It is about speed, and it's about efficiency. It's about what kind of products can you get with us that you don't get elsewhere.

Darius Liu, chief operating officer and co-founder (DL): The question becomes: how do you diversify in a cleverer way? And the way

to do that is to add assets that are basically uncorrelated to whatever public markets are doing.

These funds are what we make available to the retail investors in this space. And by adding to that instantaneously, your Sharpe ratio, the portfolio goes up.

PB: *Is customer education an issue?*

OC: The first part of the education is because in this net worth gap, not everyone is as sophisticated, right? They think about life in stocks and bonds, but they are not exposed to private markets.

There is a second level of education about what digitisation means, because obviously, that's quite a big, scary word.

Digitisation is just very enhanced automation of managing securities. There's nothing scarier or less scary about it.

Education needs to happen, because as I was lamenting to somebody today, all of us can get lumped into the fintech market. When the next P2P guy runs away with somebody's money, we get associated with that because we were fintech.

PB: *What are the plans for the next five years?*

OC: Getting much more Singapore blue chip names on our platform. That's happening in the next couple of months. But more broadly, we think that equity will be a big part of our launch.

Also structured products, where we see has potentially the space to make Asia really a hub for structured products.

DL: Anybody with any risk appetite of any size will be able to come to the platform and see something that you like and want to buy. I think that's really the power of being a multi asset platform like us. That's really the goal. We're building up that leadership and that functionality in each of these categories over the next year. ■



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How successful are they?



CONSUMERS

What does tomorrow's consumer look like? Which products are they likely to try and adopt?



INNOVATION

What is the critical innovation in your sector? Who are the winners and losers in a disruptive market?