a meeting of MINDS

owenjames

Wealth Management & Private Banking

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The Lanesborough Hotel, Hyde Park Corner, London SW1X 7TA

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1. THE CONCEPT:

A Meeting of Minds is an opportunity for "C" suite decision makers to come together to work through a set of strategies – crucial to the ongoing success of their businesses. This is achieved through a series of roundtable sessions addressing a pre-researched and pre-agreed agenda; plenty of structured and unstructured networking; and keynote speeches from external speakers tasked with freshening the thinking.

Participation at A Meeting of Minds is by invitation only.

These Meetings are biannual and the upcoming Meeting in June will be the 23rd in the series.

2. THE WHO:

There are two streams at this Meeting: the CEOs/Managing Directors who are responsible for setting the business strategy of their organisations and the CIOs/Heads of Investment who set the overarching investment strategy for the organisation.

Firms represented are private banks – both local and global; substantial wealth managers including DFMs; and multi family offices.

Part of the subject matter may prove of interest to both groups and participants will be encouraged to shape their own day. All participants receive a tailored itinerary.

It is anticipated that the total delegation will number some 70.

3. THE BENEFITS OF TAKING PART:

Participants tell us that one of the key reasons they join the Meeting is that they are seeking a vision of the future. No pressure then!

More prosaically, it is fair to say that by taking part you will gain:

1. Strategic insight
2. Opportunity to review best practice solutions
3. Networking at the highest level
4. Opportunity to influence industry thinking
5. Involvement in an agenda for change
6. Access to substantive community research

4. CONTEXT

In today's world "fake news" and "alternative facts" are phrases in common parlance. The day to day contrasts, dare one say, regressive politics with rapid progress in other areas such as technology and health. It is very confusing! By the time we do meet in June, the Dutch and French elections will have taken place and we will probably have yet new situations to grapple with.

All this instability makes us anxious and means you have to work even harder to convince your clients that you have a handle on things. The markets do seem to be quite optimistic – they believe President Trump's plans to invest in infrastructure, reduce taxes and red tape will really do what he claims. The fact that the rest of the

world looks on in a combination of wonderment and fear doesn't seem to bother him.

In the UK, the Prime Minister talks tough – if we don't get what we want we may just walk away completely … it is grandstanding or is she really looking for a hard Brexit.. hey ho … Brexit may not be an issue by the time we get past the German elections.

Anyway I digress, you know all this … A Meeting of Minds can be a bit of a group hug. "It's dangerous out there!"

So the following is a working document which we have produced as a nudge to get you thinking. A Meeting of Minds is your day and it is your agenda so we need to ensure that the conversations held around the board room tables are valuable for you and your businesses. We would therefore very much value your input whether via email, phone or a chat over coffee.

Thank you.

ALL ABOUT YOUR CLIENTS

1. SO HOW ARE THE CITIZENS OF THE WORLD FEELING RIGHT NOW?

- So how are they doing? What do they feel about all the change in the world? Your clients are presumably citizens of the world – they feel comfortable whether sitting in Hong Kong, New York or London – but as the kick back against globalisation gains momentum they may have to choose where they want to base themselves. The arbitrary "travel ban" imposed by President Trump (well trying to impose at the time of writing) must make them feel slightly nervous. Is this good for the UK?

- In this new more "selfish" world, should the UK review its tax environment to ensure that the HNW and UHNW are made to feel welcome and encouraged to headquarter themselves here. Should we be pushing the Government to do more?

- This seeks to paint a picture of HNW sentiment and behaviours.

2. THE BABY BOOMERS

- As this cohort moves into retirement or later life living or whatever ghastly euphemism you want to use, are you ensuring that your relationship now extends to the rest of their family? Are you involved in estate planning? Are you cosying up to the next generation? Do you treat all your clients as "families"? Who is doing this well?

3. THE MILLENNIALS

- Having done all that cosying up to the family, let's now focus on the Millennials as they are your future clients and you need to pay attention to them. They are also your next employees so you need to get to know them!

- Millennials are likely to be the first generation since the turn of the last century to be financially worse off than the previous generation. This is in large part due to the financial crisis, plus the unaffordability of UK housing. One suspects your clients will be more fortunate.

- Either way, they are more inclined to be influenced by the 'gamification' of their purchasing decisions and so FS providers should be looking at online communities and social media to enhance their product distribution. Yep even the rich kids too.

- Millennials' expectations, driven from other online transaction experiences such as Amazon, are likely to influence their interactions with you. They also have very little patience nor loyalty so the initial online experience has to be slick and seamless. "Instant gratification" is a constant theme in describing this demographic.

- Millennials have transitioned into a generation that does not like being sold to. Instead they are aspirational individuals who like conducting their own research and finding consensus recommendations. However, the distinction between the millennial and typical private banking population is the value that a millennial places on multiple lines of attention.

- A millennial can be watching a programme on TV, while surfing their bank account on their phone and purchasing their shopping on a laptop or iPad simultaneously. Grabbing the attention of this population is no longer a question of virtual OR physical.

- This demographic is likely to be drawn towards a digital AND physical presence that is seamlessly integrated and efficient. The question that is facing the private banking industry is how best to communicate and remain in conversation with this population.

4. SUCCESSION PLANNING FOR FAMILIES

- One of the key challenges that families face is succession. How can they ensure a smooth transition of their substantial wealth to the next generation.

- Our speaker will present a strategy for achieving this through a combination of careful planning and training up of the next generation

5. BIG DATA – WORK IT!

All organisations have access to valuable data, but either fail to capture data, fail to understand what data is relevant and fail to use data effectively. Businesses struggle to get demonstrable value from data. Identification and prioritisation of only the most relevant data can be the first step to unlocking data paralysis.

So as a starting point:

- Data under two years old is useful, but data over two years old can often be unreliable and too old to be relevant to any current data analysis.

- Data is best used within organisations when it is shared on a wide scale. Success can be demonstrated from aggregation and simplification of all relevant data to align internal disciplines behind one shared view.

- Sharing data and giving unrestricted access democratises customer insight enabling more effective decision-making at the point of action, creating significant impact on customer engagement.

- Data needs to be simplified and continuously improved.

Well those are the headlines, this session will take a look at the detail and how you can maximise your data management to drive business performance.

Expert: Statpro

YOUR BUSINESS MODEL

6. THE GOVERNMENT WANTS US TO BE PRODUCTIVE, WE WANT TO BE PRODUCTIVE – SO WHAT IS HOLDING US BACK?

- Living the dream – how on earth do you maximise performance? Well Southern Rail is probably not helping much.

- So is this about the increased use of technology or changing work practises? Maybe a bit of both but this session will focus on the encouraging your team bit:

Here are some thoughts from a previous session:

Organisations that display a growth mind-set often display the following characteristics:

- Growth leaders – surround themselves with a strong team and want to be challenged.
- Empowered team members – everyone feels they have a voice
- Honest about data – they use data to improve performance rather than validate the status quo
- Don't just hire for talent – consider resilience, determination and effort
- Operate a "no blame" culture – use mistakes as a resource for improvement.
- Mentoring as a practice is held in high esteem.

These are the headlines and this session will seek some deeper analysis.

7. STILL TALKING PRODUCTIVITY – HOW ABOUT A LOOK AT DIGITAL AND HOW IT CAN BE USED TO DRIVE EFFICIENCY THROUGH YOUR CLIENT INTERACTIONS

This session will consider:

- What your clients might value from a digital interaction and how it can enhance the client adviser relationship rather than replace it.
- Can FinTech innovations help to create a point of difference for your business and become a channel for client service?
- How are businesses integrating digital to their existing offerings and packaging it for clients and what success are they enjoying?
- Maybe digital is already part of your offering. If so, do you have any advice for people considering introducing it?

Expert: Multrees

8. LET'S TALK BRAND

If you survey the HNW around brands they feel comfortable with it is unlikely you will hear many FS firms.

- You could read the glossies at the weekend and admire the sexy Pictet ads or perhaps more memorably the handing over of that precious watch !
- Yet the correct delivery of good financial advice is transformative. A true adviser can be a port of calm in a fairly bonkers world. So why don't our brands make the grade?
- Now that the "establishment" appears to be very much on the back foot across the world, is there an opportunity for the industry to reposition itself?
- How can we gain the credibility we all think we deserve?
- We will seek the counsel of the experts.

Lead: IWI accompanied by a branding expert

9. ARE YOUR CLIENTS DRIVEN BY RETURNS OR FEES? WHERE DO THEY PERCEIVE VALUE? ANY LESSONS TO BE LEARNED FROM CANADA?

This session will take a detailed look at charging structures and examine how clients react to different approaches.

- Where are the pressure points of fees?
- Is it just about reducing costs through bps and due diligence? Or is your investment offering the key?
- How do you demonstrate value to the client when investing on a passive basis?
- What is hindering the uptake of passive investing in the UK? RDR certainly didn't act as a catalyst, so what will?
- Is it all about targeting the right clients?

And what can we learn from the north Americas? (The Trudeau bit.)

Expert: BMO

10. HOW DO YOU TAP INTO THE GROWTH OF THE SUB-ADVISORY WORLD TO LEVERAGE MARKET EFFICIENCIES?

Use of sub-advisory takes place when a distributor, which often can count on a sizeable distribution network, wants to launch a bespoke product to meet client needs but does not have the fund infrastructure.

In this case, they can ask a specific manager to add create a new fund, often promising the manager a certain asset flow to make it a viable solution. This is for example the strategy adopted by UniCredit Private Bank with some of its strategic partners.

This hybrid form of sub-advisory is quicker and hassle-free, as the work falls on the asset manager to launch and seed the product and go through the regulation process rather than the organisation doing the distribution.

Worth a deeper examination?

Expert: PIMCO

DIGITAL

11. HOW TO BE A DIGITAL WINNER

"It is counterintuitive but as you go up the wealth scale, tech engagement increases because it saves time." – a wise delegate at the previous Meeting.

- Trust and the personalised and sophisticated nature of advice pose formidable entry-barriers for tech-challengers and arguably make the value proposition "undeliverable on line".
- The rigid culture and mindset of traditional wealth managers pose obstacles to innovation in the industry.
- Technology should be regarded as a means of augmenting the value proposition, rather than a replacement of personal contact and advice.
- Changing customer expectations might require collaboration with tech companies – an approach currently

followed by the main industry players in the Asian market.

"If I am going to have an operation I want the surgeon to use a state-of-the-art machine. It does not make the skills of the surgeon redundant, but rather reinforces them and leads to a better result." There were a lot of wise delegates at the last Meeting.

- Enter the world of FinTech: innovative start ups are, bizarrely, innovative! However they need capital. Established financial services firms have lots of capital, but need to increase their ability to innovate. Could it be a partnership made in heaven?

Expert: SEI

12. BLOCKCHAIN – HORSE OR AUTOMOBILE? INTRIGUED?

- In 1903, the president of the Michigan Savings Bank infamously said "The horse is here to stay, but the automobile is only a novelty – a fad". So is Blockchain a "horse" or an "automobile"?

- Apparently, Blockchain is a form of distributed ledger technology which allows various parties to share data and records stored in validated blocks. Blockchain features a ledger, a distributed messaging protocol, plus encryption techniques to create 'smart contracts' between counterparties to each shared process.

- And the key benefits of Blockchain are (apparently) that it:

  - Enables you to realise efficiency gains and capitalise on opportunities to innovate;
  - Is very secure (completely tamper proof); and
  - Is easily accessible.

- So there you have it! The reality is that its most likely impact will be payments (well to start with!).

- We will field an expert to simplify it. After all, it could be another Uber … and you need to be up there with the kids! Or is it down there?

Expert: EY

BIG PICTURE STUFF

13. HOW DO WE IMPROVE THE NATION'S MONEY HABITS ACROSS ALL CUSTOMER SEGMENTS?

- There was a feeling that the most significant initiative to improve all 'money habits' across all customer segments would be to include personal finance education within the national curriculum driven by government and education sector, including a ministerial position.

- Maybe not business critical for you … but it might generate a bit of positive PR. Should the industry really get stuck in?

14. HAS GLOBALISATION REALLY HAD ITS DAY?

- So we have parked 2016 – President Trump and Brexit – tick! On to the Dutch election - 15 March; the French election – 7 May; and the German election - 24 September. The world could look even more changed by the autumn.

- However, we must all agree that there has been a shift away from the accepted view that globalisation is the universal way forward.

- How do we feel about this? What are the implications for your own businesses? What does the world

look like through the lens of populist mobilisation? What will have currency in this new world? Can we identify the new voices and the new actors who will prosper?

15. DEAR MR CHANCELLOR – ALL I WANT FROM BREXIT IS:

- Should we as a nation seek to be the buccaneers of the past and ask Philip Hammond to cut corporation tax to encourage inward business?
- Should we reduce regulation dramatically which would remove a substantial cost burden?
- As I write, the Bank of England has just upgraded their growth forecast for 2017 to 2%. We do seem to be financially quite prepared to weather this rather substantial storm but imagine you are granted a meeting with Mr Hammond and he says go on tell me what you want !! What would you say?
- Mind you by the time we get to the Meeting, the EU may be in a different place.

THE INVESTMENT PIECE

16. IS IT TIME FOR SOME UNCONVENTIONAL THINKING ON ASSET ALLOCATION?

- Fixed income has gone through a difficult period; in the search for lower volatility everything looks overpriced.
- The conventional approach of 60% allocation to fixed income was based on considerations of yield, safety and liquidity. Actually none of these criteria are met any more.
- There is no magic solution. To adapt their strategy, wealth managers will need to go back to basics and find alternatives that meet the same objectives as conventional asset allocation.
- Any ideas?

Expert: BlackRock iShares

17. MONETARY VERSUS FISCAL POLICY – WHERE TO GO?

- Central bank policy seems to be running out of road, leaving policy makers no choice but to turn to fiscal policy in an attempt to galvanise growth. However, hopes and fears of a reflationary trajectory look overblown.
- Bonds are acting less as a hedge for equities and more as a buffer. Certain bonds (including emerging markets) are likely to become more attractive.
- Many clients are holding higher than average proportions of their portfolios in cash, leaving advisers with the challenge of when and how to change their position.
- Excitement over President Trump's plans to invest heavily in infrastructure and to cut taxes are muted.
- Asset classes which are not a natural home such as gold, infrastructure, inflation-linked or indexed products and factor-based investing all under consideration.

18. A GROWING OPPORTUNITY DRIVEN BY A CHANGING SOCIETY

- Despite the current backlash against globalisation, the movement towards a more sustainable environment continues apace. Aided by the use of social media, companies and individuals are being held accountable for their actions. The Millennials – the next generation of investors - are particularly active in seeking to

ensure that their investments are supportive of these goals.

- The European Social Investment Forum's (Eurosif) most recent study validated this increasing interest on behalf of retail investors. It also highlighted these new investors' willingness to become both active and vocal thereby highlighting the relevance of stewardship. Peter Michaelis, Head of Equities at Alliance Trust will shares the findings of this research. In addition, he will lead the discussion as we seek to understand which approach to adopt: thematic, best in class, impact or ESG?

- "ESG is simply proper analysis and should soon be naturally embedded in the assessment/analysis process for all investments."

- Impact investment strategies tend to be more specialist private equity strategies aimed at targeting a particular social issue. These are often closed funds which are increasingly being developed by wealth management firms and offered directly to their private clients.

- Asset managers widely accept that an ESG framework represents the highest quality of investment research and will become the industry standard for all investments over the next 20 years. Is it a bit like going organic? However, at present they are only just starting to build their processes and investment selection approach. Linked to this, they are also unwilling to publish specific ESG track records; partly because they don't want to be marginalised, but also they fear potential reputational damage if a strategy of investee company deviated from the standards.

Some more wise words:

"What are we saying to clients; this fund has some impact or might have an impact?"

"A quarter of clients may say to you this is what they want i.e. impact – but then follow-up with what is the return and is there a liquidity premium etc."

"It is a huge mistake for the industry to wait for this… waiting is the wrong answer; if you are waiting you are behind … it is our job to lead."

Expert: Alliance Trust

19. WILL PHILANTHROPY, WEALTH MANAGEMENT AND LIFESTYLE CONVERGE?

REGULATION?

20. PEAK REGULATION, REGTECH – WHATEVER HAPPENED TO REGULAR REGULATION?

- For the last 6 – 7 years, the industry has been focused on adhering to regulation that came down the pipeline. The expert believed we are at the peak of regulation with CEOs, CIOs and COOs having extensively hired risk managers/compliance team members of this period.

- Is the peak in sight once MifID II has come into play? Have the Panama papers driven a re-examination of financial crime? .

- The consensus is that the UK is three to four years ahead of Europe in terms of regulatory change while five years ahead of an RDR equivalent in Asia. As a result, the UK is the place to be!

- However as big data and digitisation grow into the future, data protection (cyber security) will become a big issue.

- The future of technology is a catalyst towards empowering the value of the client adviser and improve internal office efficiencies.
- "Digital trust, will it ever reach the same levels as human trust? I think not."
- Regulatory pressures mean that wealth management businesses have a tendency to adopt a fixed mind-set and hierarchical cultural traits to enforce compliance.

21. DEFINING TAX PLANNING AS TAX EFFICIENCY RATHER THAN TAX AVOIDANCE.

- The tax landscape has changed significantly over the last five years as the Common Reporting Standard, signed by over 100 jurisdictions, takes precedence.
- UK and global governments are lining up their strategy to tackle tax avoidance, while continuing to make wholesale changes to legitiminate tax planning.
- The continuing focus needs to be about helping clients better manage their tax planning issues, building trust and earning loyalty.
- "Tax authorities are seen as intrusive and far reaching, but clients themselves want greater transparency in the offshore tax arena."
- "Clients are tightrope walking around tax transparency issues, everyone is feeling vulnerable; senior management have a real responsibility to help clients deal with tax avoidance. Now is the time to handhold clients."
- Corporate criminal offences are a direct result of turning the heat up on tax evaders. "The bank, legal and tax world have not come together to better serve the client. Accountants need the support of other client advisers to better manage the exposure correctly."

22. THE GENERAL DATA PROTECTION REGULATION (GDPR)

- This regulation marks a significant step up in wealth managers' data protection requirements with many firms not yet appreciating the significant impact it will have on their operating models. Penalties for failure under GDPR are also significantly higher with fines of up to 4% of turnover for firms that suffer a security breach. At the last Meeting it was pointed out that under GDPR, Tesco would have faced a fine of £1.9bn for its security breach.
- Organisations have until May 2018 to understand the implications of GDPR and identify the gaps; assess its impact and design/implement an action plan; and ensure and demonstrate the effectiveness of your data protection improvement program.

Expert: Farrers

23. SUITABILITY

- Given that suitability has been flagged as one of the FCA's key objectives in its 2016/17 business plan, wealth managers need to have clear paper trails that cover suitability for every single client file. Moreover, delegates agreed that getting suitability right is fundamental to the future business models of all discretionary and advisory managers as firms prepare for the imminent introduction of Mifid II.
- Suitability of portfolio management services are increasingly coming under the FCA's spotlight and will increase the regulatory burden of wealth managers.

Thank you for reading so far! If you have any thoughts on the above or would like to add your own suggestions, do please call Evie Owen on 01483 862692 or email evieowen@owenjamesgroup.com.