



PWMA

Private Wealth
Management
Association

PWMA Fintech Survey Findings 2021

November 2021

Fintech Survey – Background and Context

Background

The rise of Fintech has continuously redefined financial services, providing an opportunity to leverage new and developing technologies to deliver more personalized and enhanced client experience along with aim to drive efficiency.

The PWMA Fintech Survey sought to examine the current and future landscape of digital offerings across digital channels (both online and mobile), in order to provide future growth opportunities, role of 3rd party vendors, investment outlook as well as major challenges and constraints.

Structure of this Report

- Section 1: *Client Demand and Expectations*
- Section 2: *Other Automation Opportunities*
- Section 3: *The Role of Third Parties*
- Section 4: *Looking to the Future*
- Section 5: *Investment Priorities*
- Section 6: *Challenges for Banks on their Digital Journey*

Approach

33 responses were received from PWMA member institutions for the 2021 Fintech Survey, between June to July 2021. Data has also been incorporated from the 2021 PWMA Report, which surveyed 280 clients and PWMA member institutions.

Fintech Survey - Summary of Results

Key findings



Strong investment increase for digital transformation is expected by member firms for 2021 & 2022



Front office trading platforms and KYC solutions will see the biggest digital investment increase this year



Digital experience design highest priority on the digital capability build list for 2022



Gaps in user requirements and budget allocation are the most frequent challenges for digital transformation projects



Better use of data for customer analytics and cross-sell opportunities ranks the highest for internal solution prioritization over the next 2 years

Fintech Survey - Summary of Results

Key findings



Limited scope of online services is the most frequent cause of customer expectations not being met



64% of respondents believe >21% of interactions between advisor and client will be performed via digital channels in 5 years



There has been a decline in the number of clients that believe their advisors digital offering is exceeding their expectations (55% in 2020 vs 44% in 2021)



58% of surveyed member firms anticipate up to 25% investment increase for digital transformation for 2021 and 2022.



Budget and resources allocation are deemed the most challenging hurdle in managing organization's digital transformation strategies

Client Demand and Expectations

Highlights

- **There has been a decline in the number of clients that believe their advisors digital offering is exceeding their expectations. 56% of clients believe that digital offerings were exceeding expectations in 2020, versus 44% in 2021**
- **No member firms report ‘chatbots’, ‘robo-advisory services’ or ‘crypto-products trading’ being offered across either mobile or online channels**
- **Research portals and communication through third party channels top customer satisfaction for both online and mobile offerings**
- **Limited scope of online services is the most frequent cause of customer expectations not being met**

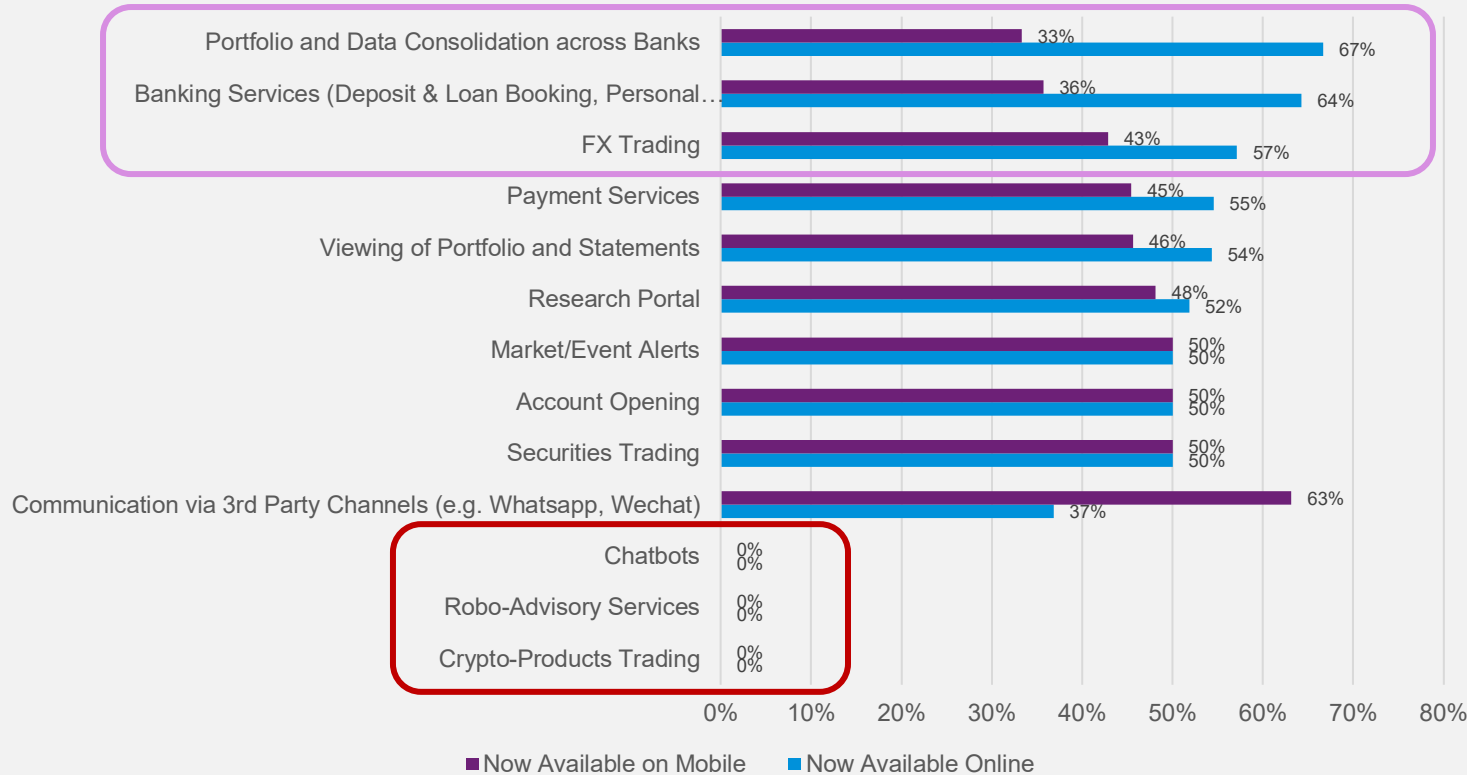
Summary

- The emergence of digital platforms, both online and mobile, have changed the financial services industry. More and more services are being performed digitally and clients are increasingly reliant on these digital offerings.
- This year lower proportion of clients believe that digital offerings are meeting expectations vs last year. This could be due to clients greater reliance on digital channels during Covid-19 showcasing shortcomings in digital offerings that clients previously were not aware of. Similarly, every year sees an increase in digital solutions on offer, placing pressure on banks to keep pace.
- ‘Viewing of portfolios/statements’, ‘FX trading’ and ‘payment services’ are areas where digital solutions generally meet client expectation, whereas ‘market alerts’ and ‘securities trading’ are offerings falling furthest below client expectations.
- Where digital offerings have not met client expectations, the top three areas for improvement identified are the ‘scope of online services’, ‘degree of customization’ and ‘user experience’. Expanding the scope of online services and enhancing the amount of customization present key opportunities for enhancing client experience and satisfaction
- Despite the increase in general market interest, no banks are currently deploying more complex services such as chatbots, AI-enabled/robo-advisory services and trading of crypto products.

The following services are offered online and via mobile channels

'Portfolio and data consolidation across banks', as well as 'banking services', show the highest online offering presence

Figure 1: What digital offerings are you currently providing to clients?



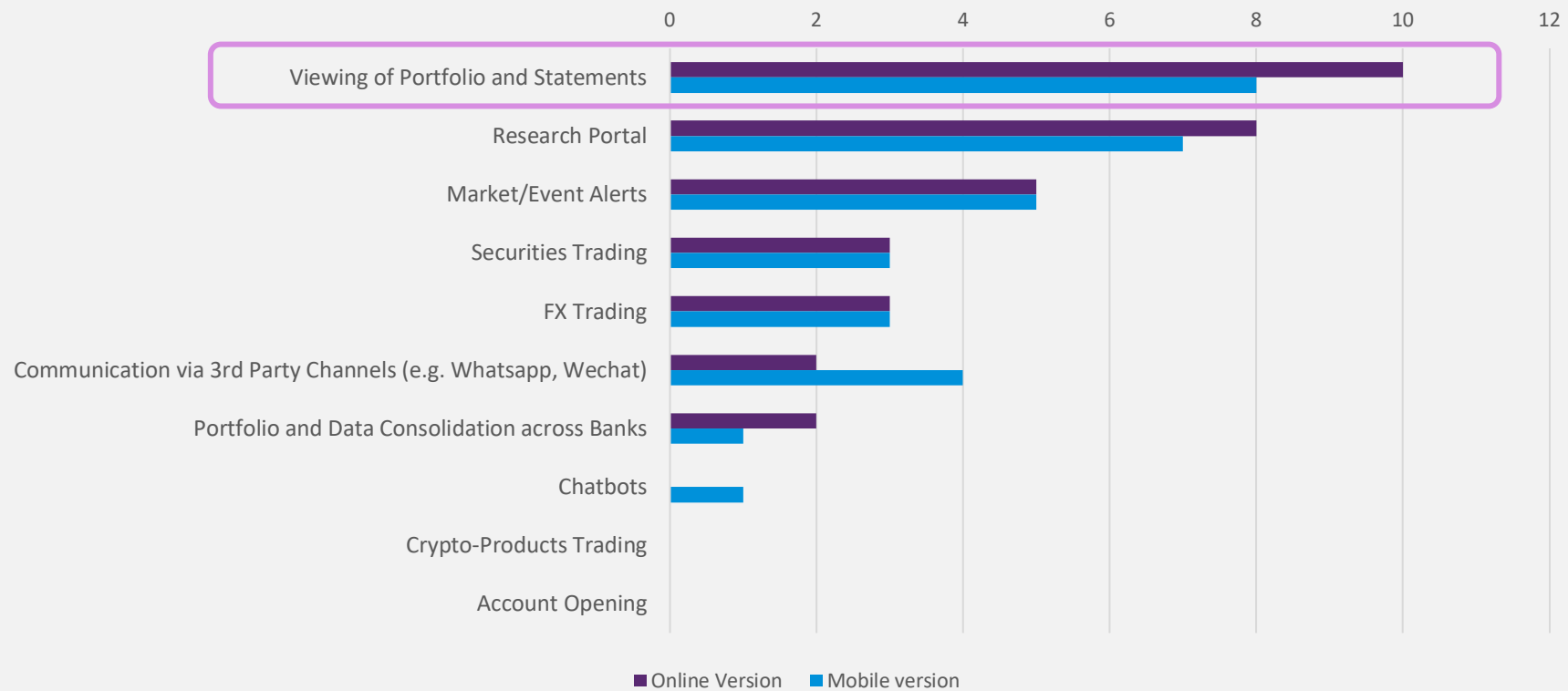
Findings show that clients would like to see more account opening and trading solutions via digital channels, but this is an area where many banks are not offering these processes via digital channels.

Findings show that no members are currently offering 'chatbots', 'robo-advisory services' and 'crypto-products trading' across both mobile and online services.

Note: Small sample size (<10 responses)

Digital offerings to EAM across mobile and online platforms

Figure 2: Do you provide any of these digital offerings to External Asset Managers (EAM)? (Check all that apply)



Note: Small sample size (<10 responses)

Research portals and communication through third party channels top customer satisfaction for both online and mobile offerings

Figure 3.1: How do these digital offerings compare to customer expectations? – Online Version

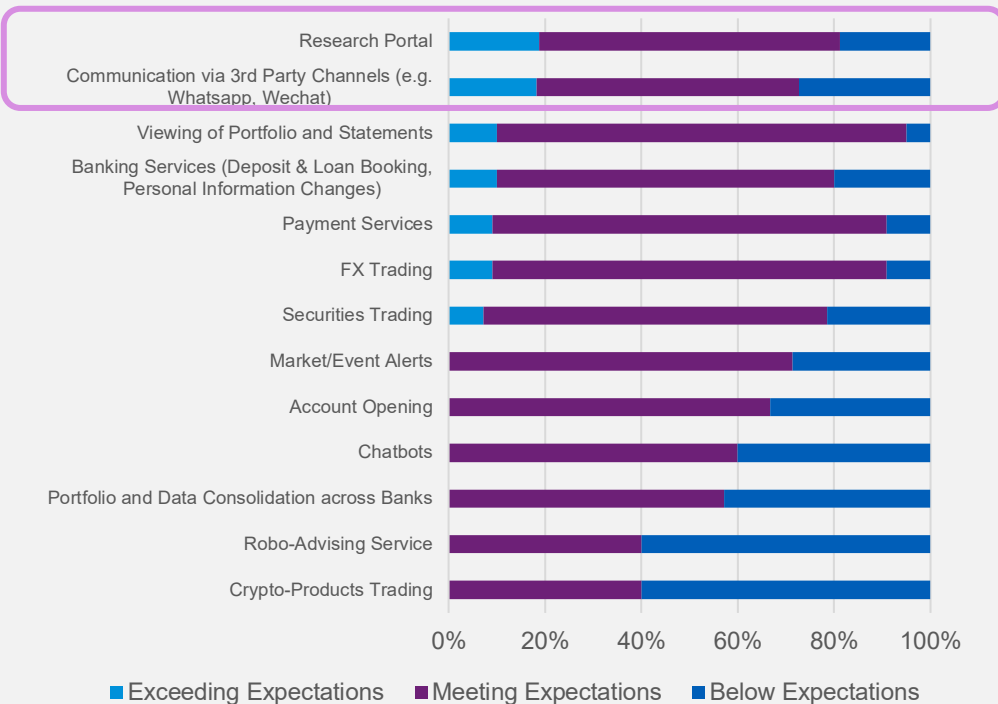
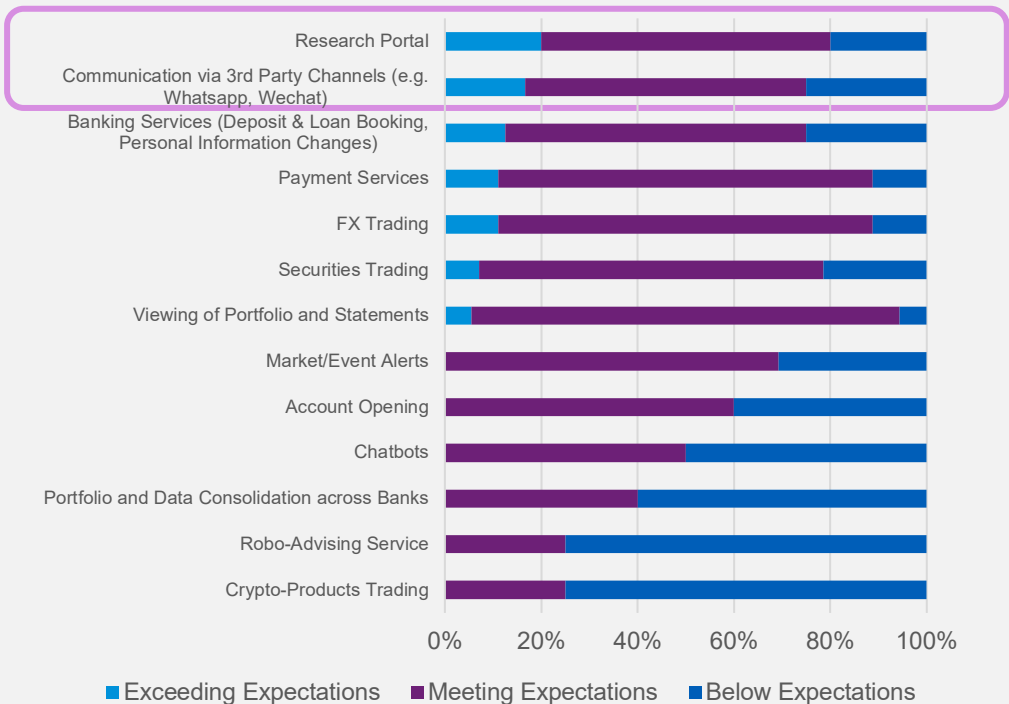


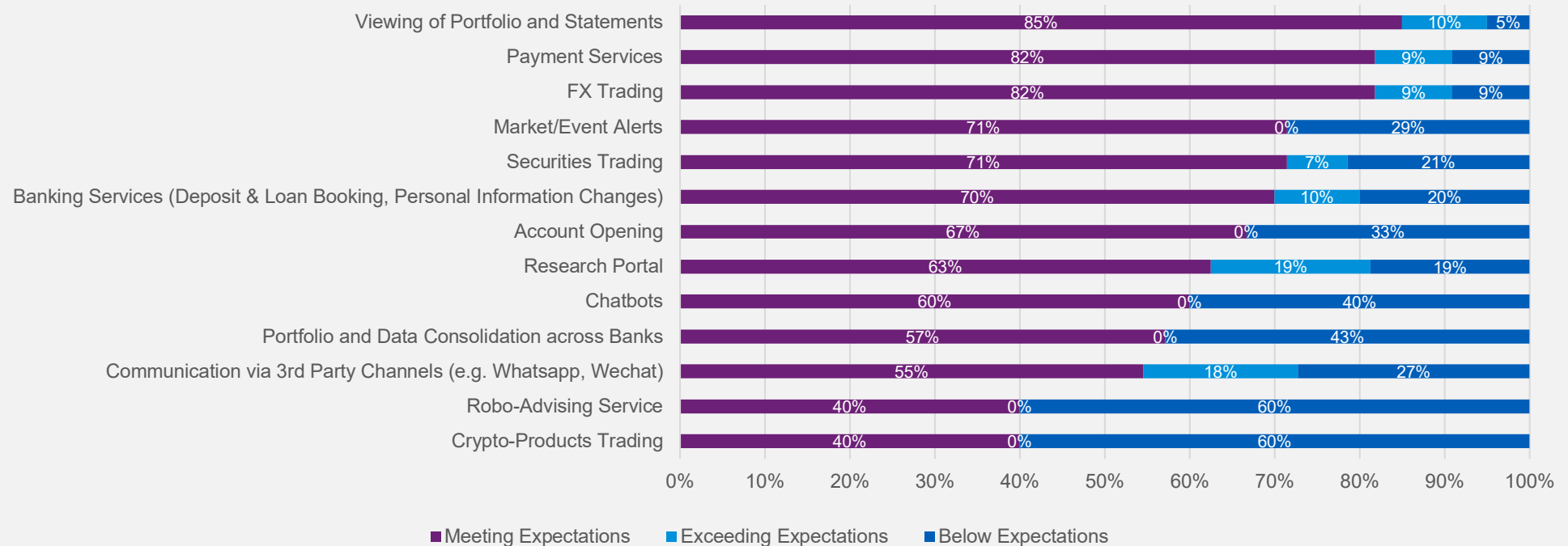
Figure 3.2: How do these digital offerings compare to customer expectations? – Mobile Version



Clients are generally satisfied with the digital offering for core banking services but opportunities exist for services such as messaging and account opening

Crypto-products and robo-advising services are the digital offerings ranked lowest on customer experience versus expectations

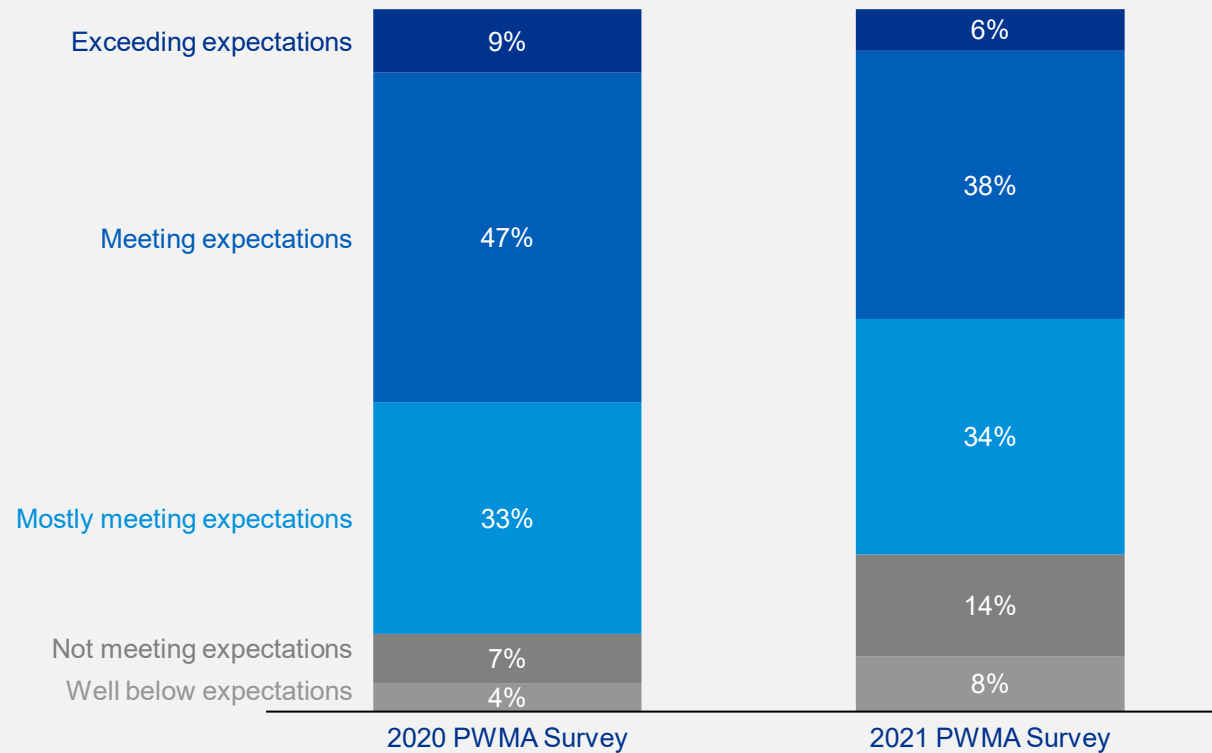
Figure 4: How do these digital offerings compare to customer expectations?



A lower proportion of clients believe that digital offerings are meeting expectations vs last year

56% of clients believed that digital offerings were exceeding expectations in 2020, versus 44% in 2021

Figure 5: Does your private wealth manager's digital offering meet your expectations?



The extent to which clients' digital expectations are being met has declined slightly year on year.

With self service and communication with clients through digital channels expected to further increase, banks need to focus resources on ensuring digital offerings continue to meet clients' expectations.

Source: PWMA Client Survey; KPMG analysis



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Limited scope of online services is the most frequent cause of customer expectations not being met

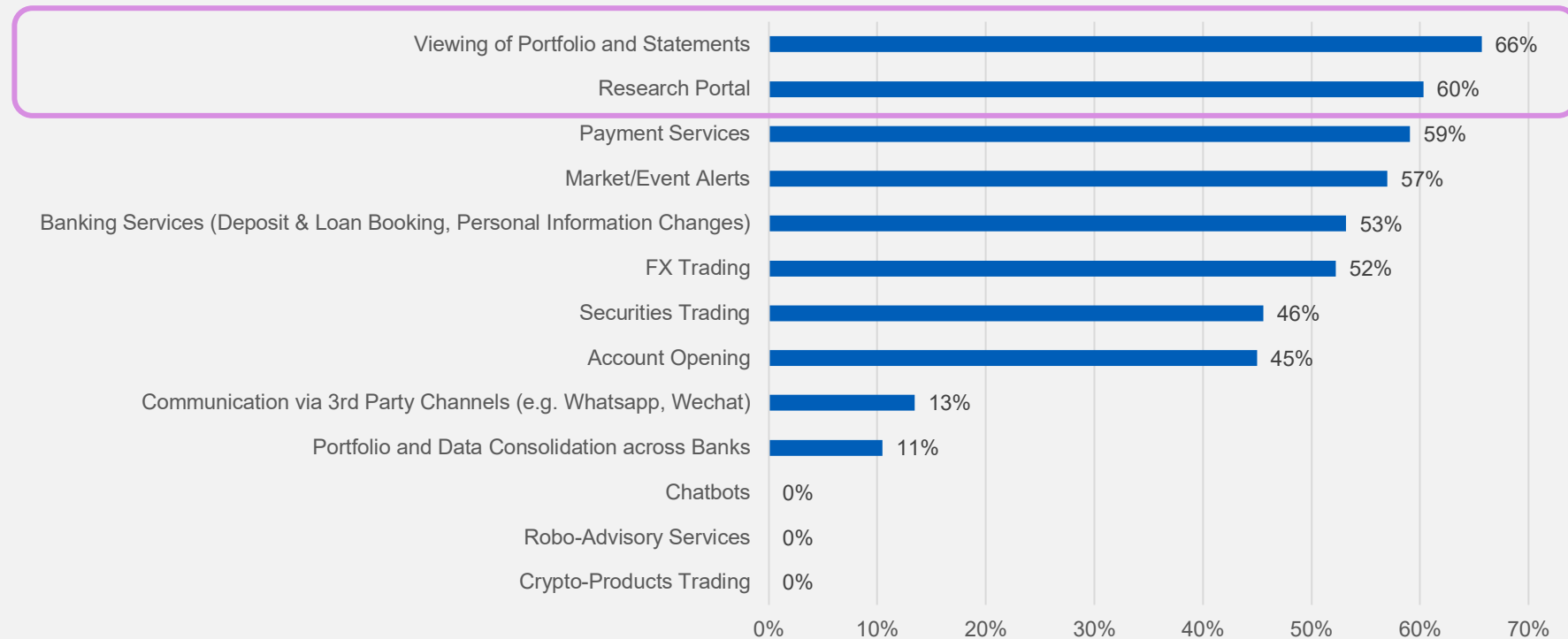
Expanding the scope of online services and enhancing the amount of customization present key opportunities for enhancing customer experience and satisfaction

Figure 6: If your digital offering does not meet customer expectations, please select top 3 reasons why?

Ranking	Reasons for digital offerings not meeting client expectations	Percentage
1	Scope of online services	25%
2	Degree of customization	19%
3	Customer experience	19%
4	Degree of self service	17%
5	Specialist features e.g. analysis tools, investment goals, etc.	8%
6	Other (please specify)	6%
7	Speed of service	3%
8	Cyber Security	3%

Viewing of portfolios & statements and research portals are the digital offerings with the highest client usage

Figure 7: What percentage of clients have signed up to your organization's digital strategies?



Other Automation Opportunities

Highlights

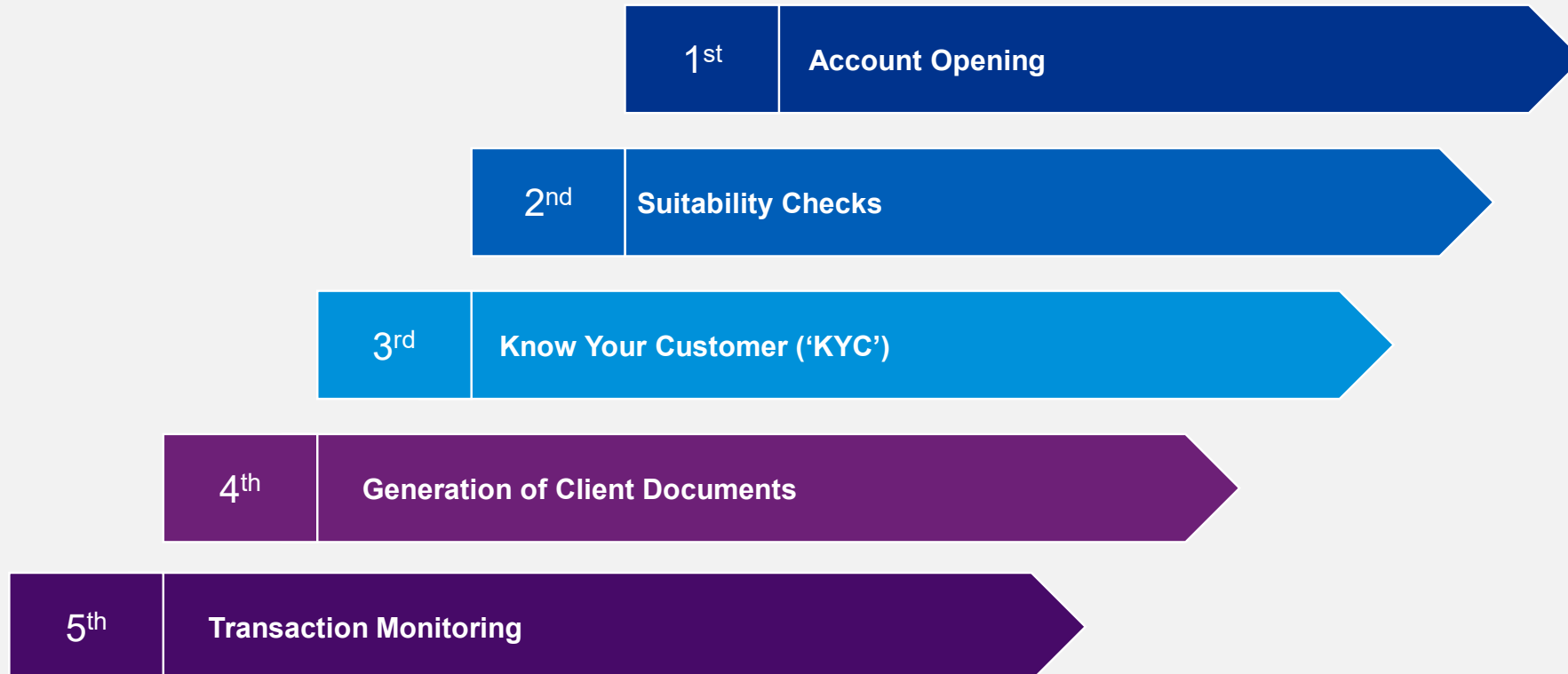
- **80% of responses have shown moderate to significant efficiency improvement as a result of automation initiatives.**
- **RPA technology is used frequently in transaction monitoring (27%) and CDD (22%).**
- **In particular, trade execution automation shows the highest gain through automation, with a 75% efficiency improvement**
- **Account Opening is the main focus for AI deployment over the next 2 years**

Summary

- Leveraging automation technologies is increasing across the board. Organizations particularly deploy technologies to achieve process efficiency improvement. 45% of surveyed member firms report moderate efficiency improvement through automation, whilst 35% report significant improvement. Internal report automation is a main focus for low code automation over the next 2 years, with 43% of respondents planning to deploy such technologies to support reporting
- Members report significantly lower deployment rates of AI. Internal reasons such as insufficient/unrealistic budget allocation and lack of talent and expertise are still restricting greater deployment of AI.
- At this time, AI is being used mainly in the form of PoC's for wider deployment in future if the technology can be deployed successfully.

Account Opening and suitability checks are the two internal banking processes most frequently automated

Figure 8: Which of your internal banking processes are currently being automated through either Digital Processing Automation, Robotic Process Automation (RPA) or Artificial Intelligence (AI) ?

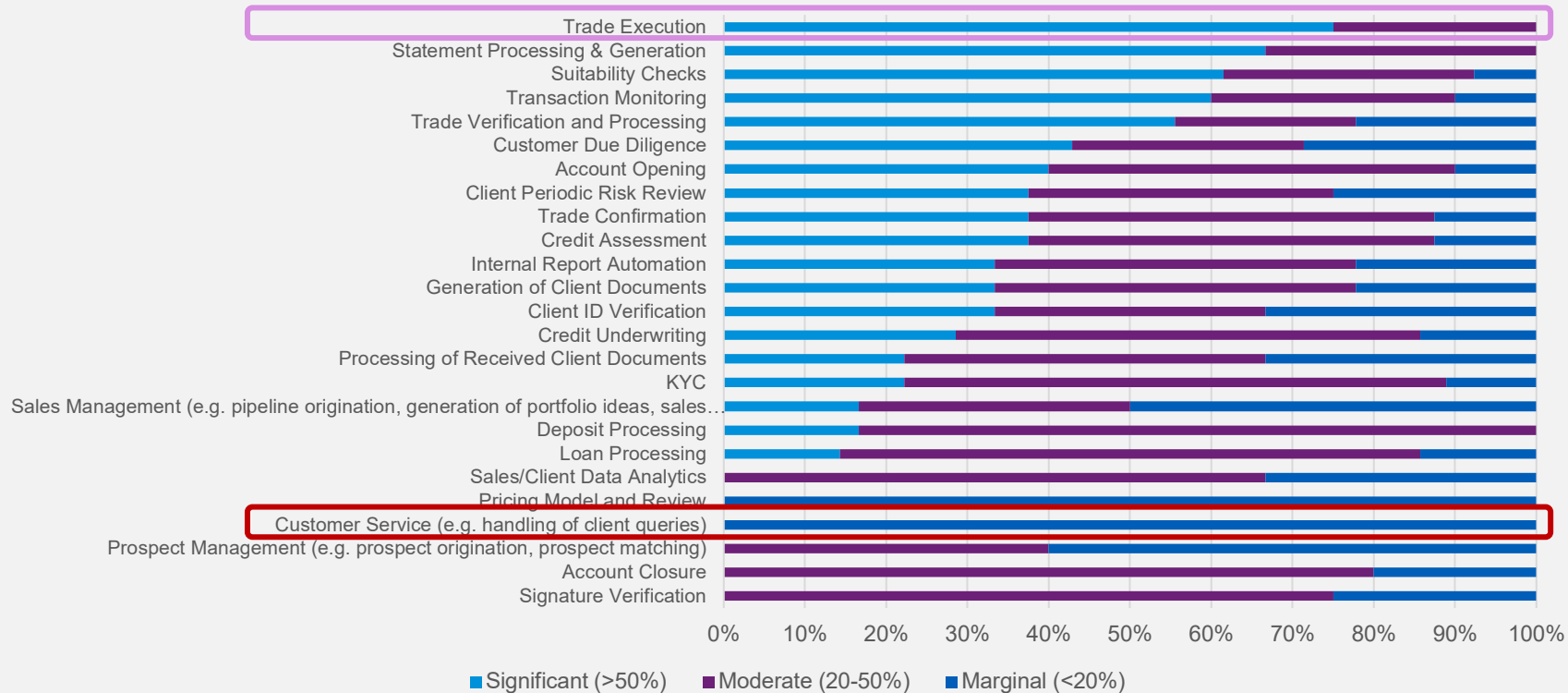


Trade execution automation showing 75% efficiency improvement

Trade execution has been shown to offer the greatest efficiency improvement for productivity and data collection

Figure 9: For your internal processes that are being automated, how would you rate the efficiency improvement in view of productivity and data collection?

Efficiency improvement for automated processes



Automation has proven to be beneficial in improving the efficiency of key internal processes, with most reported efficiency gains due to automation exceeding 50%.

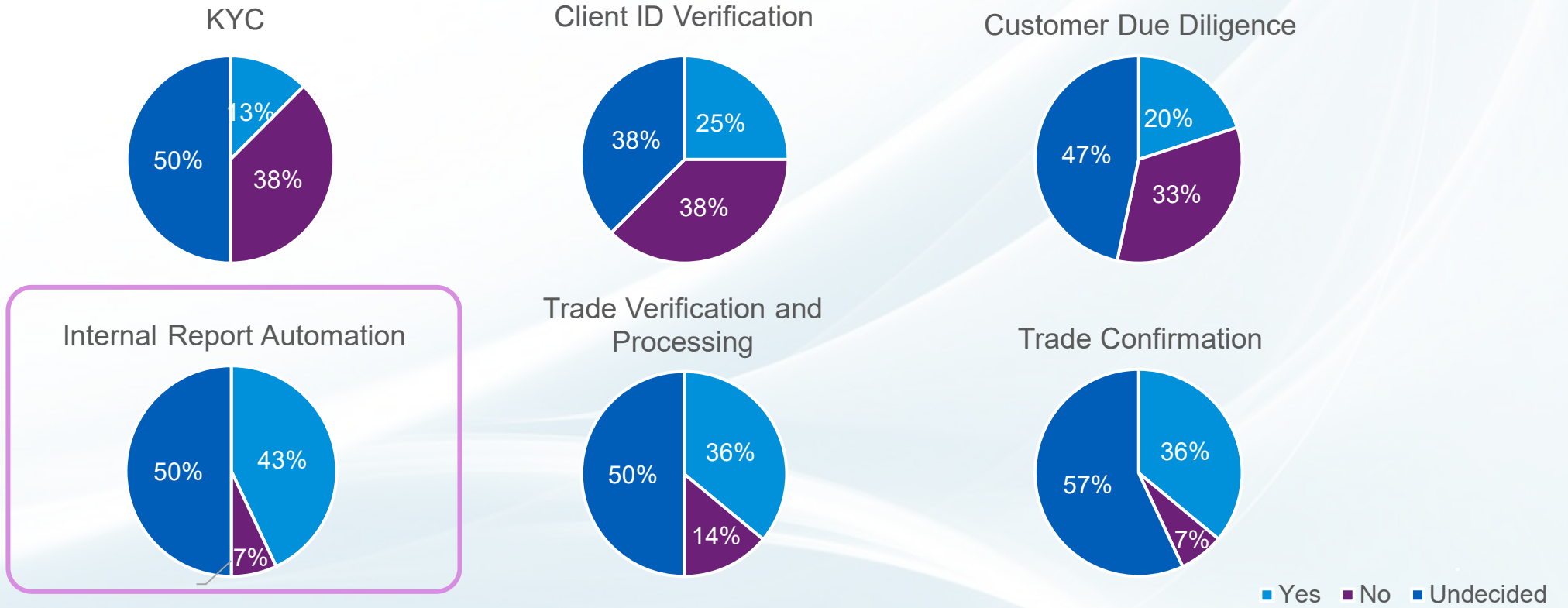
Automation of customer service (e.g. handling of client queries) reported to have the lowest efficiency gains

Please note sample size is very small

Internal report automation is the main focus for RPA technology uplift over the next 2 years

Figure 10: For your internal banking processes that aren't automated using any RPA or AI technologies, do you plan to deploy them in the next two years?

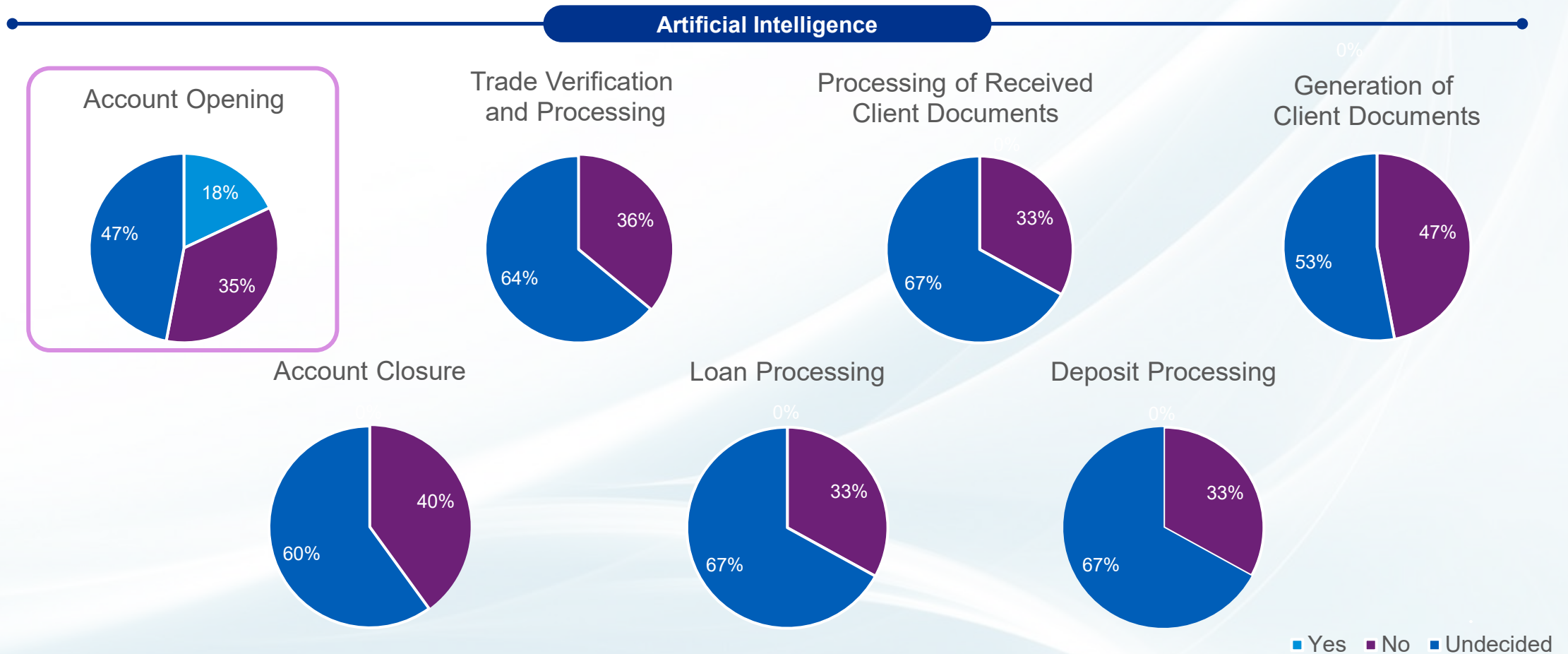
Robotic Processing Automation



■ Yes ■ No ■ Undecided

Account Opening is the main focus for AI deployment over the next 2 years

Figure 11: For your internal banking processes that aren't automated using any RPA or AI technologies, do you plan to deploy them in the next two years?



Looking to the Future

Highlights

- **Most banks are looking to expand the suite of products available through online trading.**
- **Increasing the use of data analytics is also a key priority. 80% of respondents are planning to expand the use of data for customer analytics and cross sell opportunity identification by 2023.**
- **64% of respondents believe >21% of interactions between advisor and client will be performed via digital channels in 5 years**

Summary

- Whilst some processes like reporting and research will be increasingly digital, we still see a strong preference for face to face interaction in some circumstances. In particular non financial advice and discussion will likely remain face to face for some time.
- Investment research and reporting are shown to be the areas with the highest reliance on digital channels. Yet, there is still a need for face to face communication within components of the client offering, with 39% of respondents reporting that clients would still prefer for non financial advice to be conducted in person (vs 25% via digital channels).
- Certain digital channels that are increasingly popular in retail banking are less likely to see traction in the PWM space, as noted with only 14% of respondents planning to implement 'chatbots' and 6% of respondents are planning to offer 'robo-advisory services'.
- Virtual assets are generating a lot of client interest at the moment but most banks are not prioritizing technology spend in this space at this point in time.

Current mobile solutions available for clients now and in 2 years

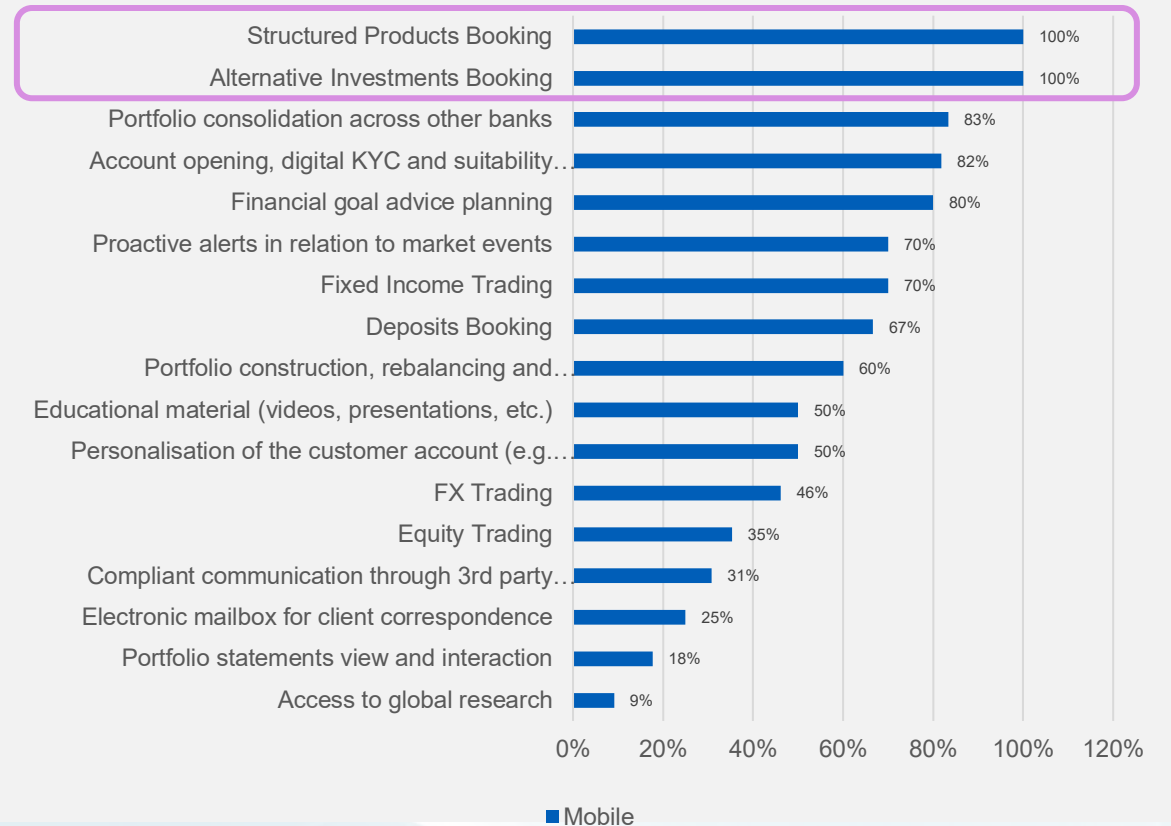
With access to global research and portfolio statements and interactions being the most common mobile offerings currently, attention is to be shifted towards structured product and alternative investment booking in the next two years.

Figure 12: Please indicate which client solutions are available now and which do you plan to offer in the next two years

Mobile - Available Now



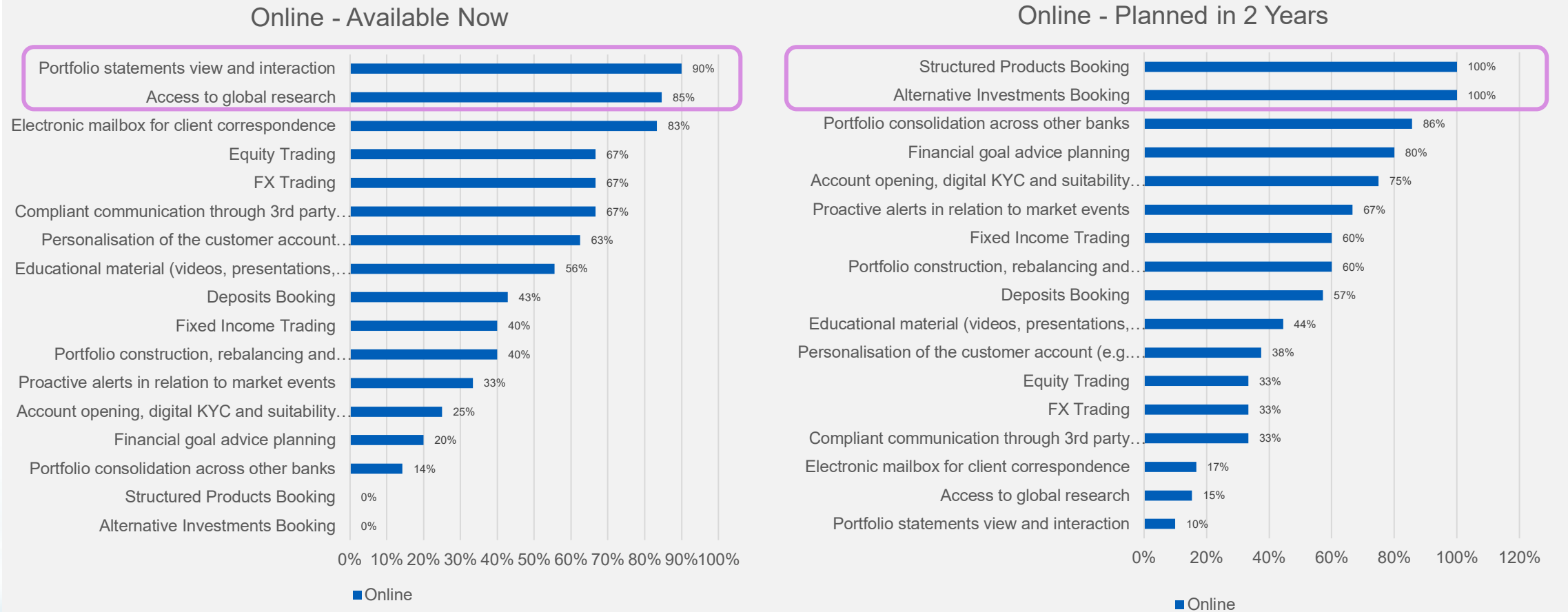
Mobile - Planned in 2 Years



Current online solutions available for clients now and in 2 years

With portfolio and statement viewing and wealth management insights being the most common digital offerings at currently, attention is to be shifted towards structured product and alternative investment booking in the next two years.

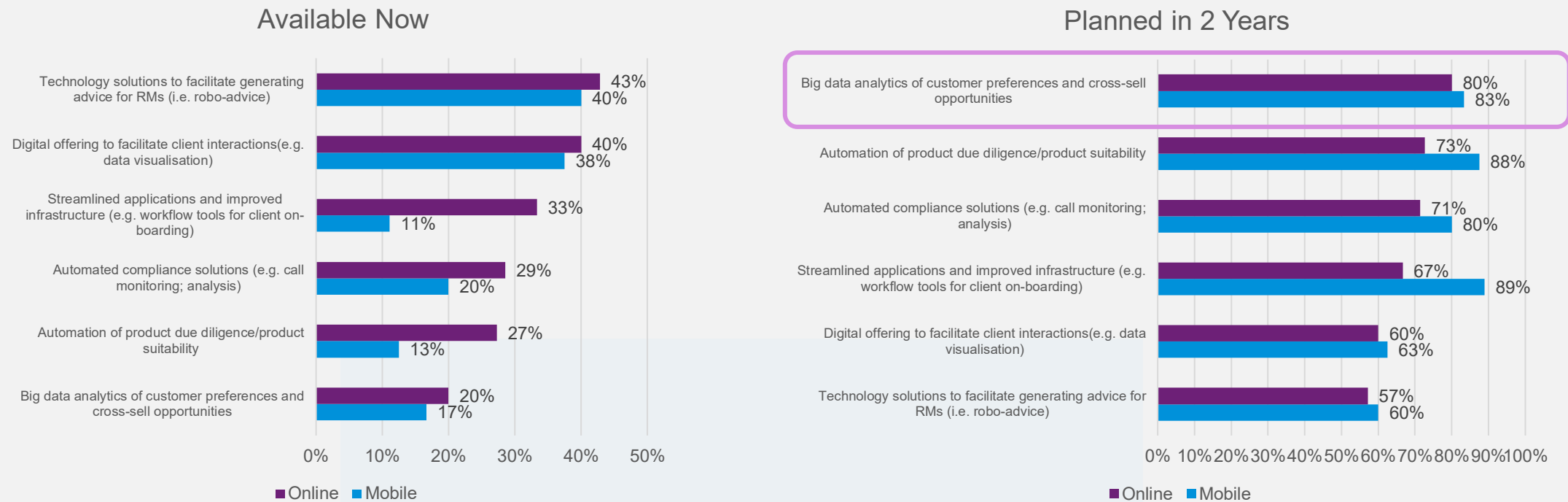
Figure 13: Please indicate which client solutions are available now and which do you plan to offer in the next two years



Better use of data for customer analytics is also planned in the next 2 years

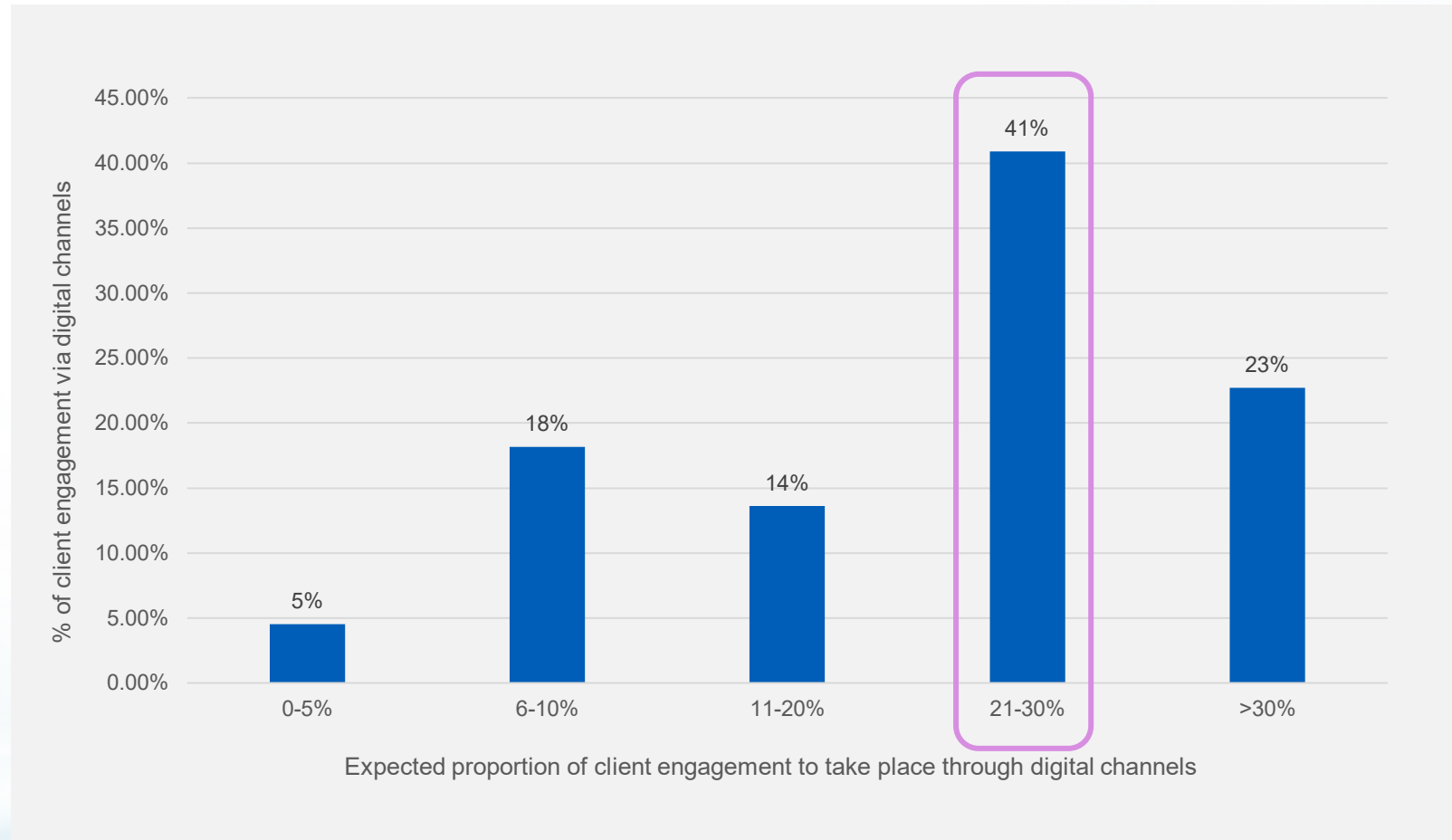
Big data analytics of customer preferences and cross sell opportunities expected to be deployed by 80% of respondents online by 2023, vs only 20% today

Figure 14: Please indicate which internal solutions are available now and which do you plan to offer in the next two years



21-30 % of the interaction between RMs and clients is expected to be through digital channels in the next 5 years

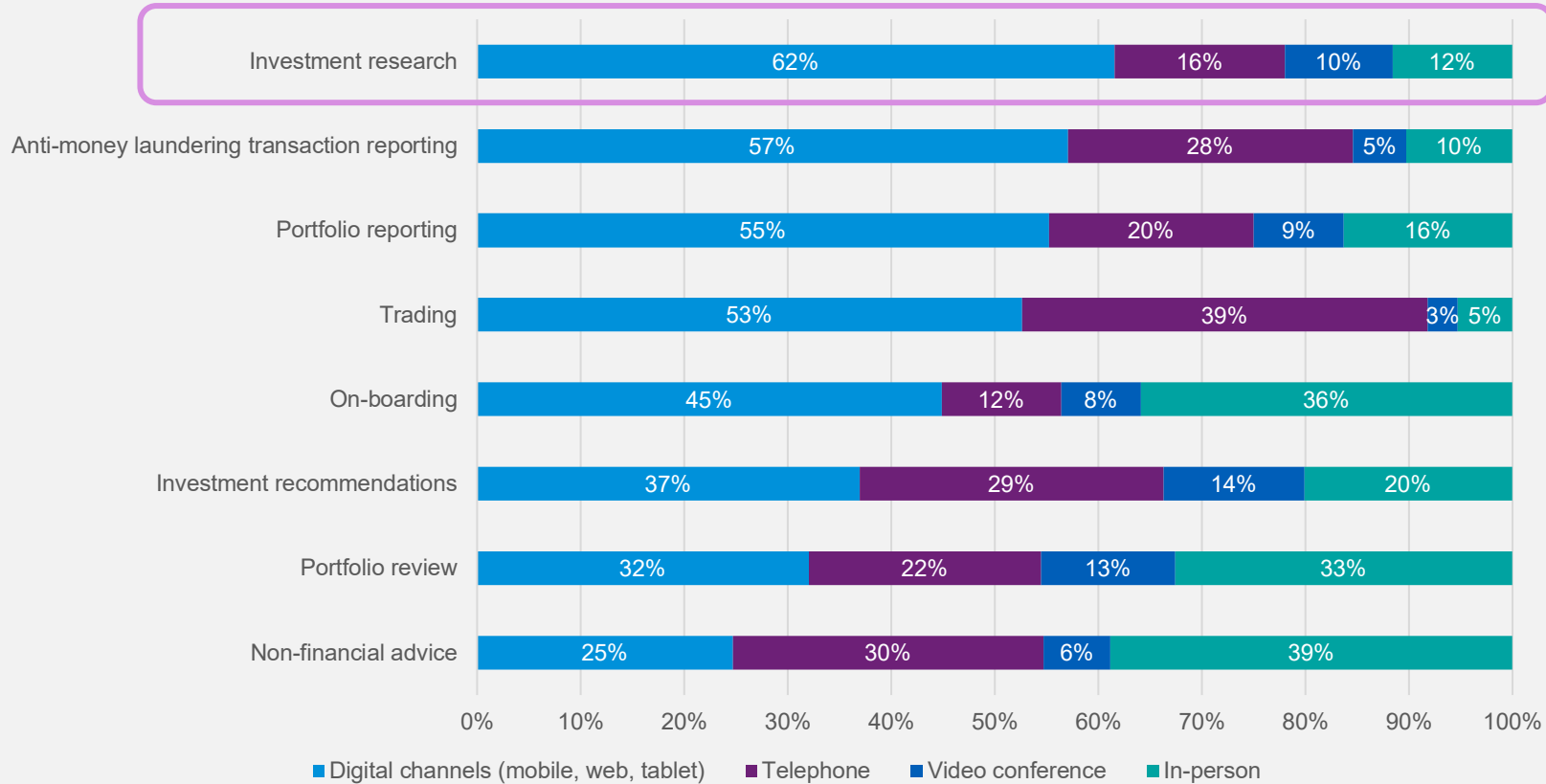
Figure 15: Compared with today, what proportion of current client engagement will take place through digital channels in 5 years?



The highest proportion of respondents anticipate 21%-30% of client engagement (face to face, phone calls) will take place through digital channels in 5 years, requiring robust digital channels for client engagement.

Clients still prefer non-financial advice to be conducted in person

Figure 16: Preferred mode of delivery across the advisory process



Investment research and reporting are shown to be the areas with the highest reliance on digital channels, whilst clients still prefer critical interactions such as seeking of 'non-financial advice' to be conducted in person.

At the same time, clients are showing a clear preference for trading and onboarding activities to be increasingly digital.

Source: PWMA Client Survey for PWMA annual report; KPMG analysis

Investment priority for crypto-products trading, chatbots and robo-advisory services is low

Figure 17: Do you plan to provide the below digital offerings in the 2 years' time?

		Yes	No	Undecided
Chatbots	Online Version	14%	29%	57%
	Mobile Version	14%	29%	57%
Robo-Advisory Services	Online Version	6%	38%	56%
	Mobile Version	0%	40%	60%
Crypto-Products Trading	Online Version	6%	47%	47%
	Mobile Version	6%	47%	47%

The survey findings show that investment priority for crypto-products trading is low, in line with the current client appetite for crypto-products trading being relatively low.

However, the PWMA 2021 annual survey shows that client interest in crypto trading is likely to increase in the future, and therefore this could change in the next few years. 23% of clients reported that they would want >6% of their portfolio to be invested in virtual assets

The Role for Third Parties

Highlights

- **Generally members are using a combination of in house and third party vendors to achieve their technology objectives.**
- **In-house is shown to be development preferred for viewing of Portfolio and Statements, whilst vendors are preferred for development of Communication via 3rd Party Channels**

Summary

- Longer lead times and knowledge gaps are key challenges for in-house development. Detailing end user requirements thoroughly often causes issues for in-house development, as there is not sufficient dedicated resource time and energy given by end users, due to BAU commitments.
- Similarly, it is challenging for organizations to hire all the digital talent that they need to make in-house solutions.
- Vendor or Fintech solutions are often based on a principle of limited customization and at times this lack of flexibility causes challenges for institutions. Further many solutions are cloud based or need to be cleared from a data security perspective which can also be challenging.

In-house development preferred for viewing of Portfolio and Statements, whilst vendors are preferred for development of Communication via 3rd Party Channels

Figure 18: What are the initial development strategies being used for each of your existing digital offerings (select all that apply)?



Some results show in both tables due to small number of responses

Investment Priorities

Highlights

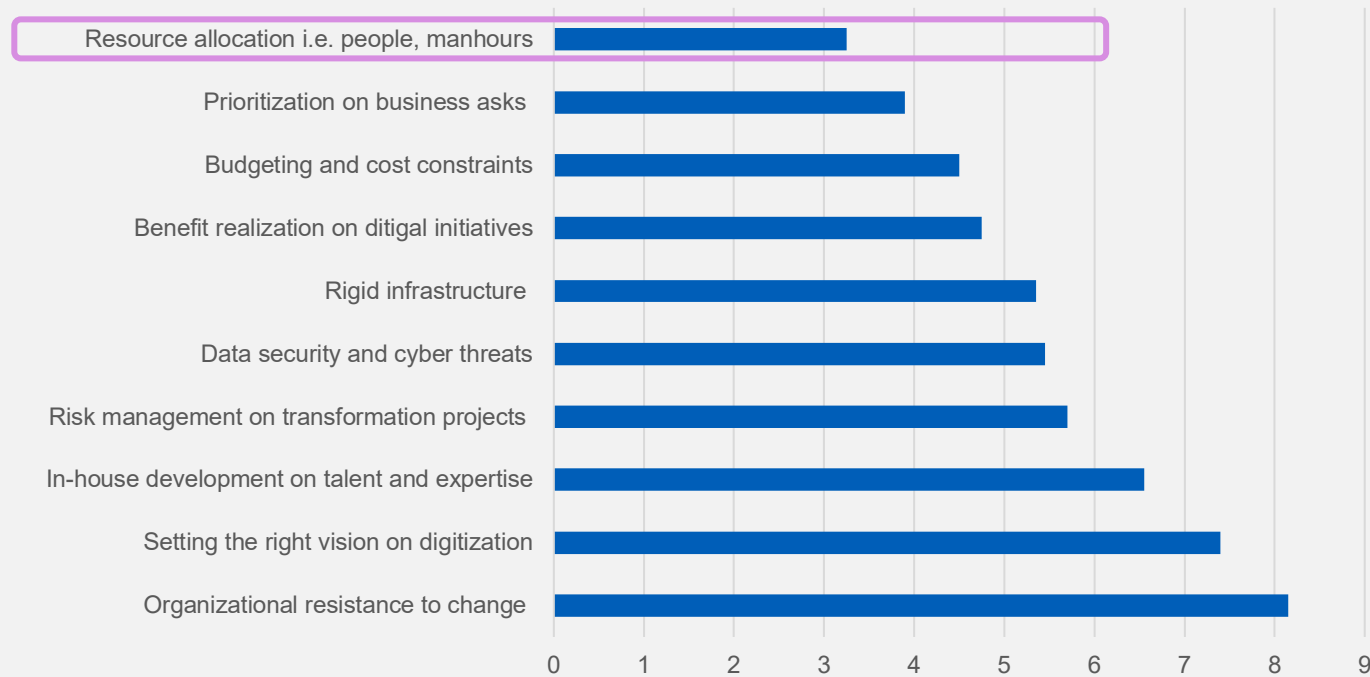
- **Member institutions are expecting to significantly increase investment in digital transformation for both 2021 and 2022**
- **Improvement of the IT infrastructure' is at the top of internal strategic budget allocation**
- **'Front office trading platforms' and 'KYC solutions' see the biggest digital investment increase this year**
- **Digital experience design is highest on the digital capability build list for 2022**
- **Finding the right resources to support digital projects is the biggest hurdle for member institutions at the moment**

Summary

- Strong investment increase for digital transformation is expected for 2021 and 2022. 58% of respondents anticipate up to 25% investment increase in 2022.
- Member institutions are prioritizing the following key investment areas – (1) Improvement of the IT infrastructure, (2) Review of existing applications to identify enhancement opportunities and (3) additional hiring of Technology and Innovation experts
- Further institutions are looking to improve their use of data, in particular customer data with planned investment in – (1)'Analytics of customer preferences and(2) Using data to identify cross-sell opportunities.
- Regulatory solutions are also being prioritized by banks, in line with a broader industry theme around Regtech adoptions
- Further, Client and Employee Experience are the main business case drivers for digital investment

Resource allocation deemed the most challenging hurdle in managing an organization's digital transformation strategies

Figure 19: Based on your experience in managing your organization's digital transformation strategies, how would you rank the below common hurdles (from 1 - most to 10 - least challenging)



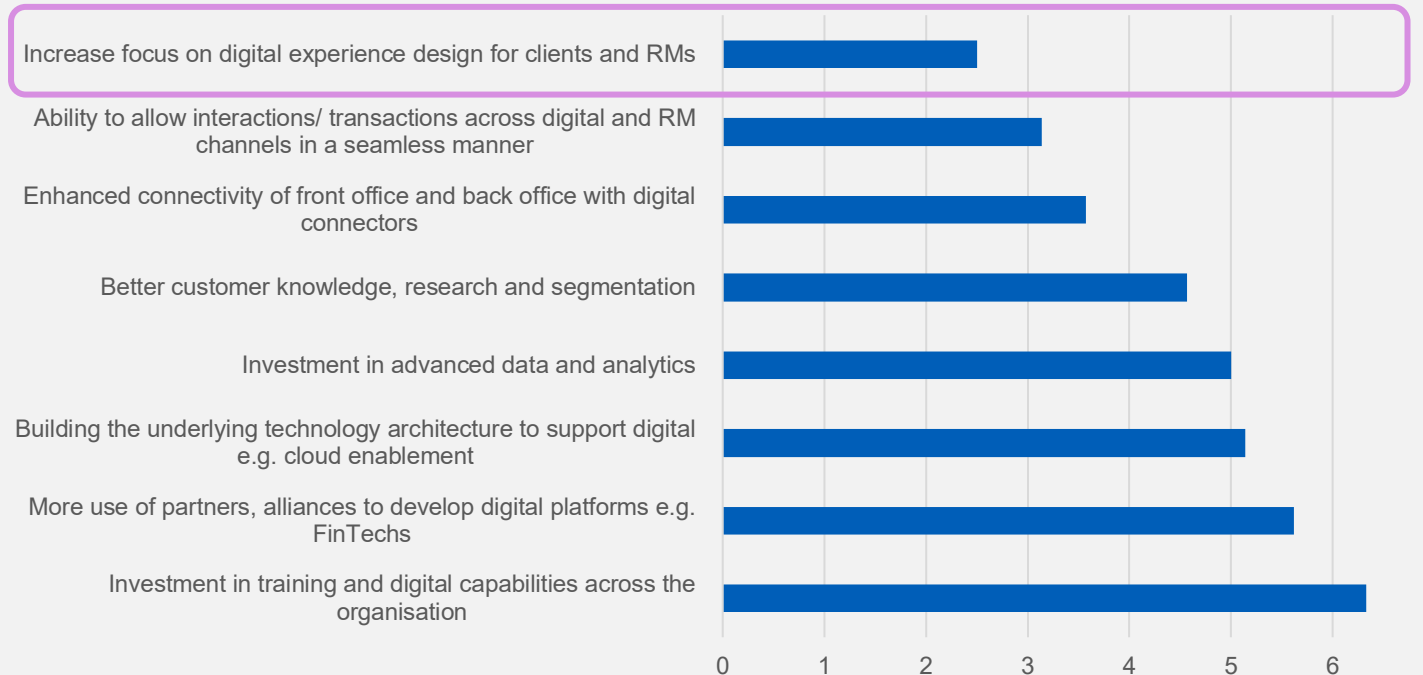
Surveyed member firms note that the top three hurdles for managing organizations' digital transformation strategies are 'resource allocation (i.e. people, manhours)', 'prioritization on business asks' and 'budgeting and cost constraints'

Conversely, we see organizational resistance to change as the least challenging hurdle, suggesting a manageable tolerance for digital transformation amongst employees

From PWMA Report

Digital experience design highest on the digital capability build list

Figure 20: In terms of digital investment, please rank your priorities for digital capability build (from 1- highest to 8 - lowest)



The highest focus/priority area noted as an 'increase focus on digital experience design for clients and RMs'. The increased reliance on digital channels during COVID-19 has highlighted the importance of ensuring digital experience is optimal for clients in order to provide a positive client experience.

Lowest priority is noted as 'investment in training and digital capabilities across the organization'.

Front Office Trading platforms and KYC solutions see the biggest digital investment increase this year

'Front office trading platforms' and 'KYC solutions' see the biggest digital investment increase this year

Figure 21: As compared to 2020, which area of digital transformation has your organization increased its investment in this year?

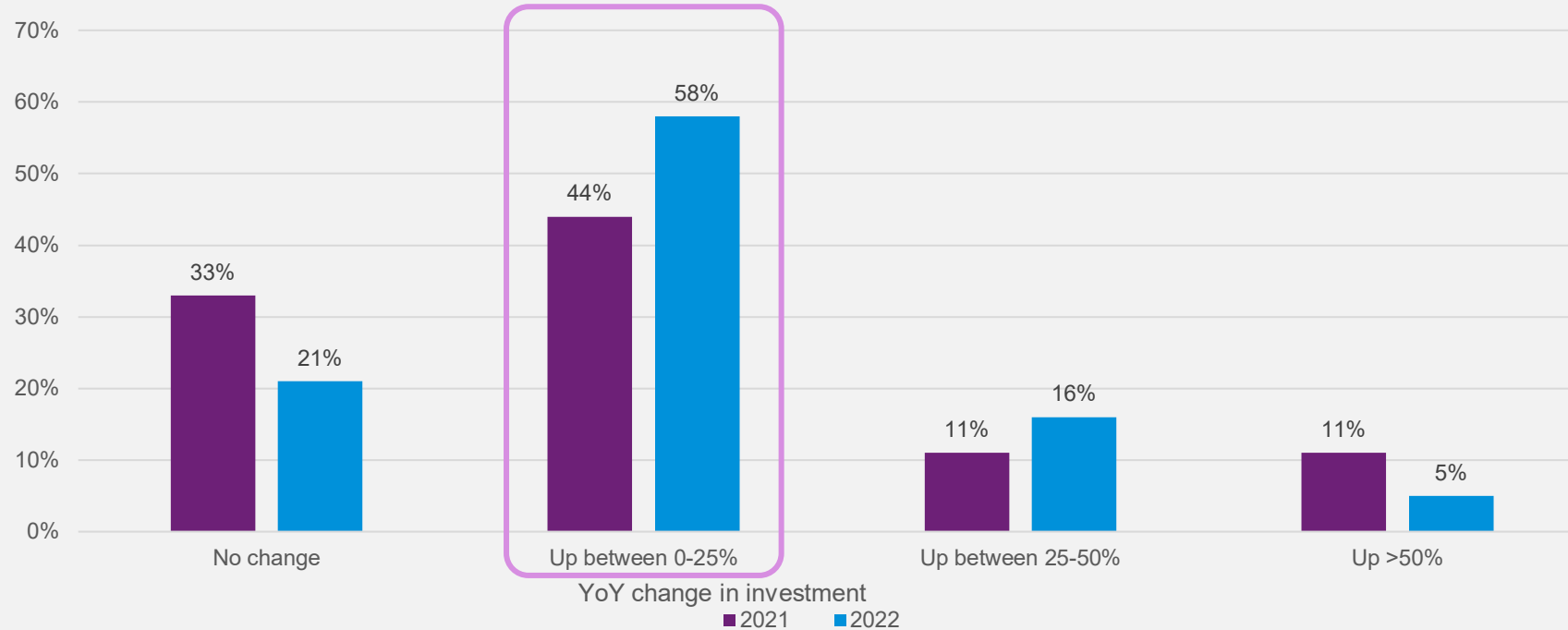


Note: Small sample size (<10 responses)

58% of respondents anticipate up to 25% investment increase between 2021 and 2022

Strong investment increase for digital transformation anticipated for 2021 and 2022

Figure 22: As compared to 2020, how much do you see an increase in investment in the area of digital transformation this year? Do you foresee an increase on the same in 2022?



Improvement of the IT infrastructure is top of the internal strategic budget allocation

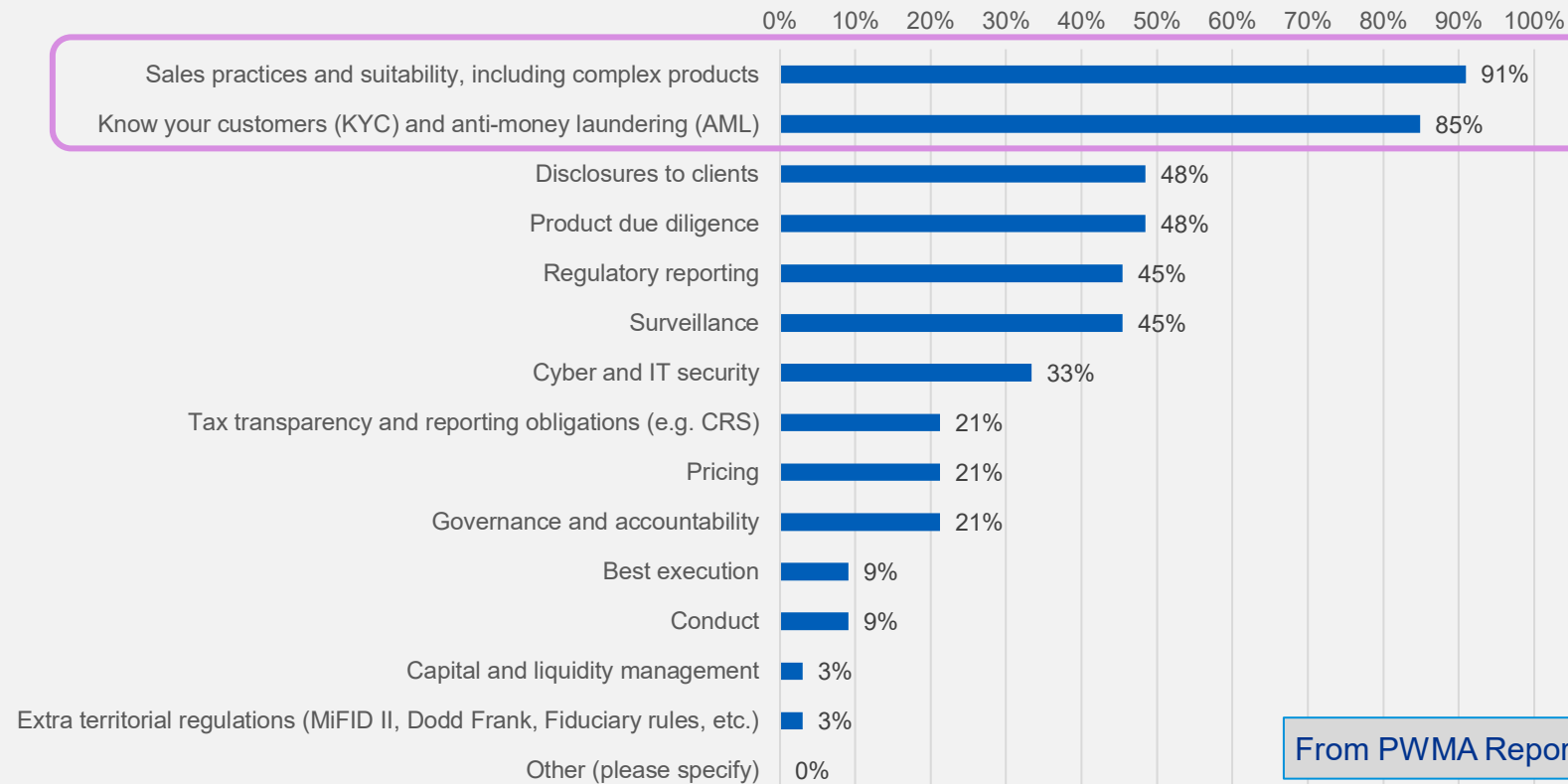
Figure 23: How would you strategically allocate your digital transformation budget in the next 2 years on the below internal focuses to ensure success?

Ranking	Digital transformation initiatives	Average percentage of digital transformation budget allocated
1	Improvement on IT infrastructure	22%
2	Review of existing applications to identify enhancement opportunities	12%
3	Additional hiring of Technology and Innovation Experts	11%
4	Roll-out of Agile or other new methodology for digital transformation projects	10%
5	Organizational restructuring to better align with transformation strategy and culture	10%
6	Launches of innovation programmes and initiatives	8%
7	More training to increase internal awareness and usage of digital offerings	7%
8	More training/communication to promote digital offerings to clients	7%
9	Review of existing applications to identify exiting strategies	6%
10	Others (please specify)	6%

Digital transformation initiatives with highest budget allocation (top 5)

Sales practices and suitability is the regulatory area with highest budget allocation

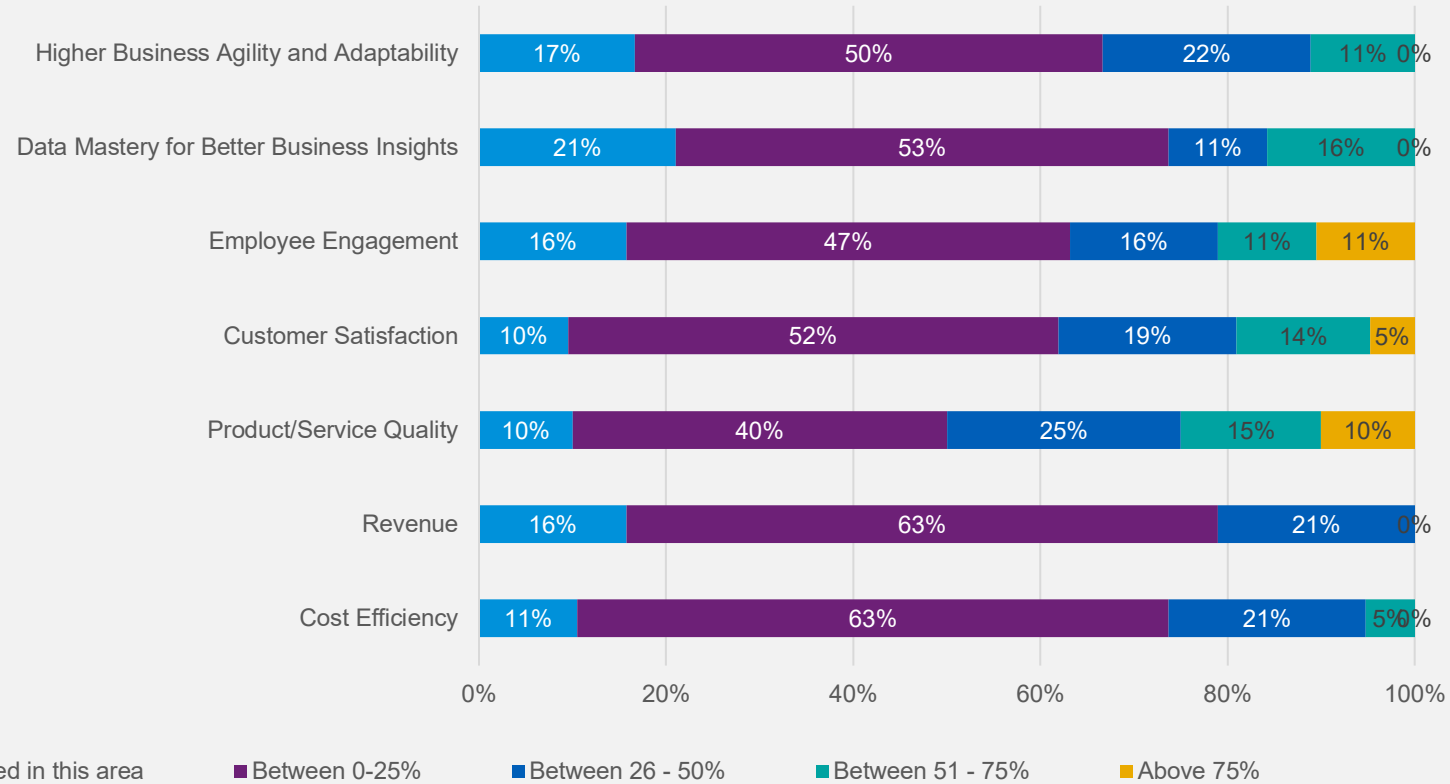
Figure 24: Please select the top 5 regulatory areas that you are currently spending the most resources and budgets on (select all that apply)



From PWMA Report

Client and Employee Experience are the main business case drivers for digital investment

Figure 25: What do you expect the business impact of your digital transformation investment to be by the end of 2022?



Challenges for Banks on the Digital Journey

Highlights

- **Resource allocation and availability contributes to major pullback on digital offerings**
- **Budgeting and cost constraints also represent a major hurdle for organizations in achieving all their digital ambitions**
- **Resistance to change is generally not seen as a hurdle which shows industry readiness to embrace digital transformation**

Summary

- There are still challenges and setbacks to be addressed, 20% of surveyed member firms vote 'budgeting and cost constraints' and 'resource allocation' as the most challenging hurdle in managing organization's digital transformation strategies.
- A further challenge is keep up with client expectations. Clients are clearly expecting a wider range of products to be offered online and are similarly expecting a better all-round experience. Widening the suite of available digital offerings is a key opportunity for client experience improvement
- As seen earlier, banks also grapple with the best development strategy - when to stick with in house development vs the use of vendor solutions.

Budget constraints and gaps in end user requirements are the most frequent causes of client expectation challenges

Figure 26: For your digital offerings that are not meeting client expectations, what are the internal reasons within your organization leading to such outcomes?

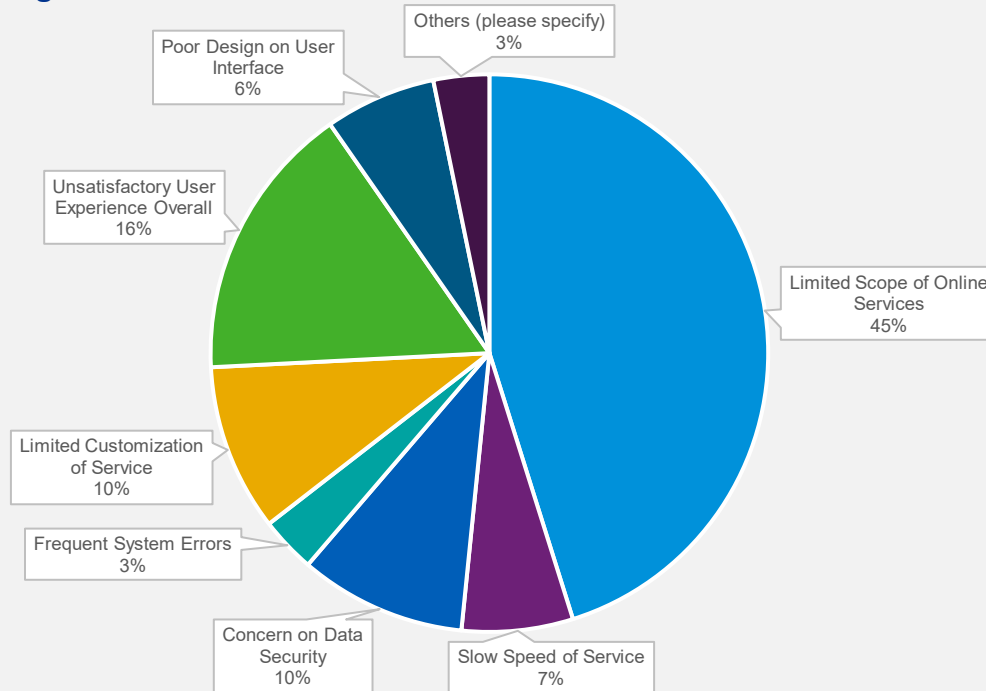
Top 5 reasons for digital offerings not meeting client expectations

Ranking	Internal reasons for digital offerings not meeting client expectations	Percentage
1	Insufficient/Unrealistic Budget Allocation on Projects	25%
2	Gaps on End User Requirements	17%
3	Lack of Talent and Expertise on Digital Projects	14%
4	Delivery Gaps from Vendors	11%
5	Misalignment on Digital Strategy and Vision	8%
6	Lack of Promotion to Clients	8%
7	Others (please specify)	8%
8	Quality Issues on Project Management and Implementation Framework	6%
9	Flaws in Technical Design	3%
10	Unrealistic Project Timelines	0%

Widening the suite of available offerings is a key opportunity for client experience improvement

Limited scope of online services most frequent reason for client expectations not being met

Figure 27: For your digital offerings that are not meeting client expectations, what client feedback has been given to your organization?

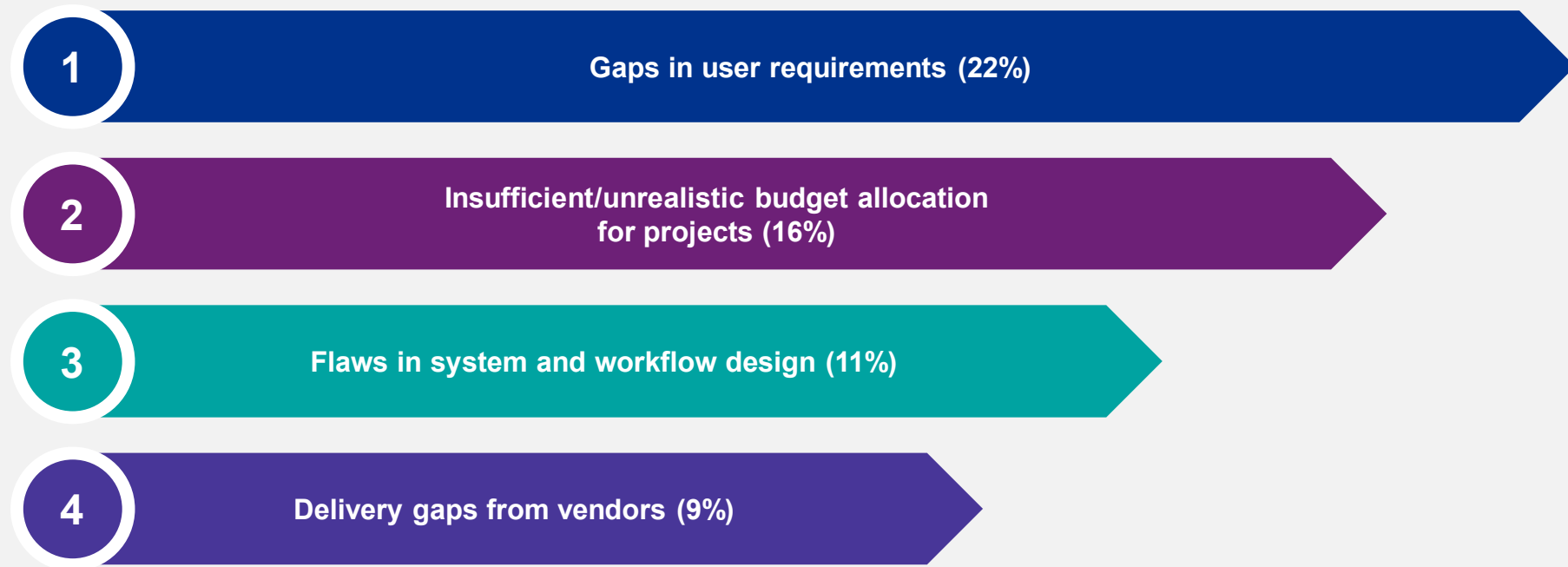


Top 3 Client Feedback Points

- 1 Limited scope of online services (45%)**
- 2 Unsatisfactory user experience overall (16%)**
- 3 Concern on data security (10%)**

Gaps of user requirements and budget allocation are the most frequent challenge in the automation of banking processes

Figure 28: For your automation of internal banking processes without satisfactory results on efficiency improvement, what are the general reasons of failure observed within your organization?



External solutions can present challenges in terms of customization and security set up

Solutions not being easily customizable and higher cost on implementation present biggest challenge for working with vendors/fintech partners

Figure 29: For your digital offerings delivered to both clients and internal users by in-house solutions, what are the challenges observed in general?

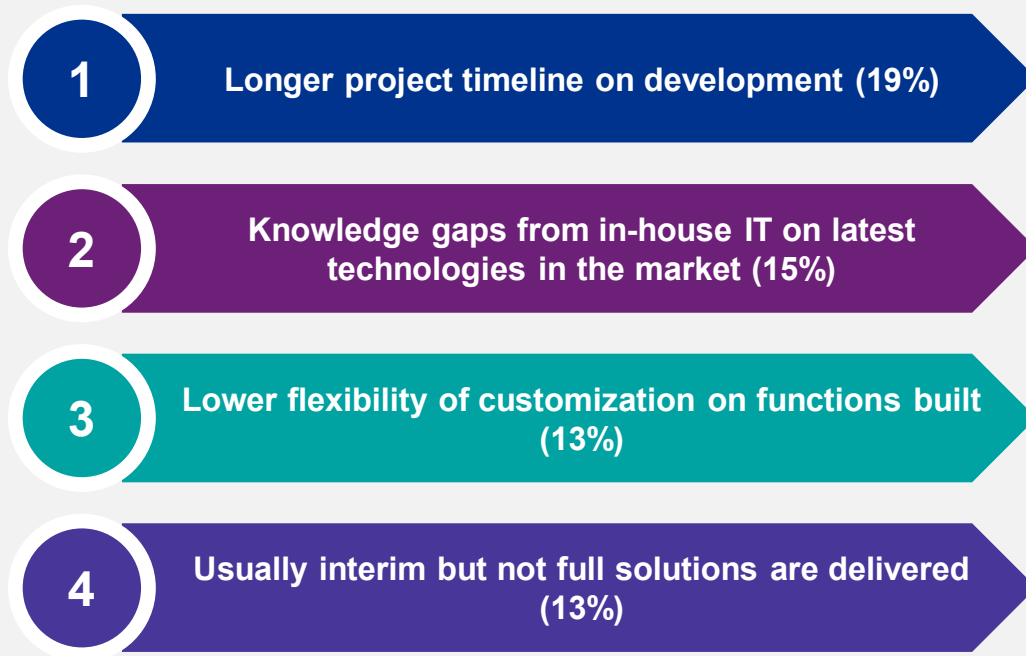
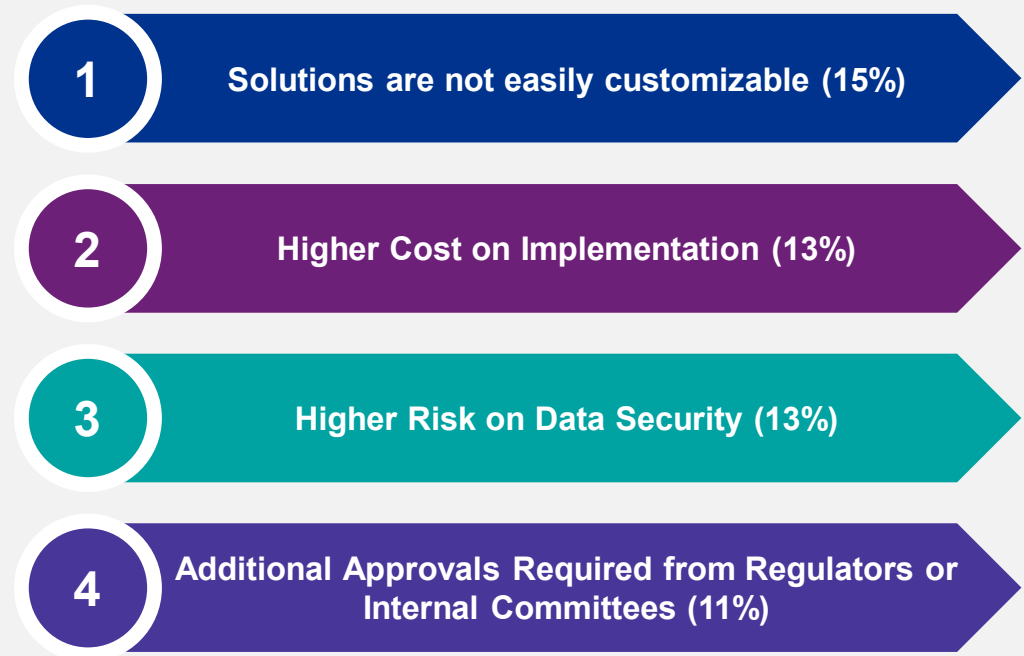


Figure 30: For your digital offerings delivered to both clients and internal users by vendors/fintech partners, what are the challenges when dealing with them?



Key takeaways



- **Strong digital transformation investment increase is expected for 2021 and 2022**, with 58% of surveyed member firms anticipate up to 25% investment increase for digital transformation for 2021 and 2022.
- There has been a **decline in the number of clients that believe their advisors digital offering is exceeding their expectations** (55% in 2020 vs 44% in 2021).
- **Limited scope of online services** is the most frequent cause of customer expectations not being met
- **Onboarding and Trading** are top digital priorities for clients
- **Gaps in user requirements** and **budget allocation** are the most frequent challenges for digital transformation projects
- **Budget and resources allocation are deemed the most challenging hurdle to overcome** in managing organization's digital transformation strategies
- **Digital experience design** ranked highest priority on the digital capability build list for 2022 by members



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