



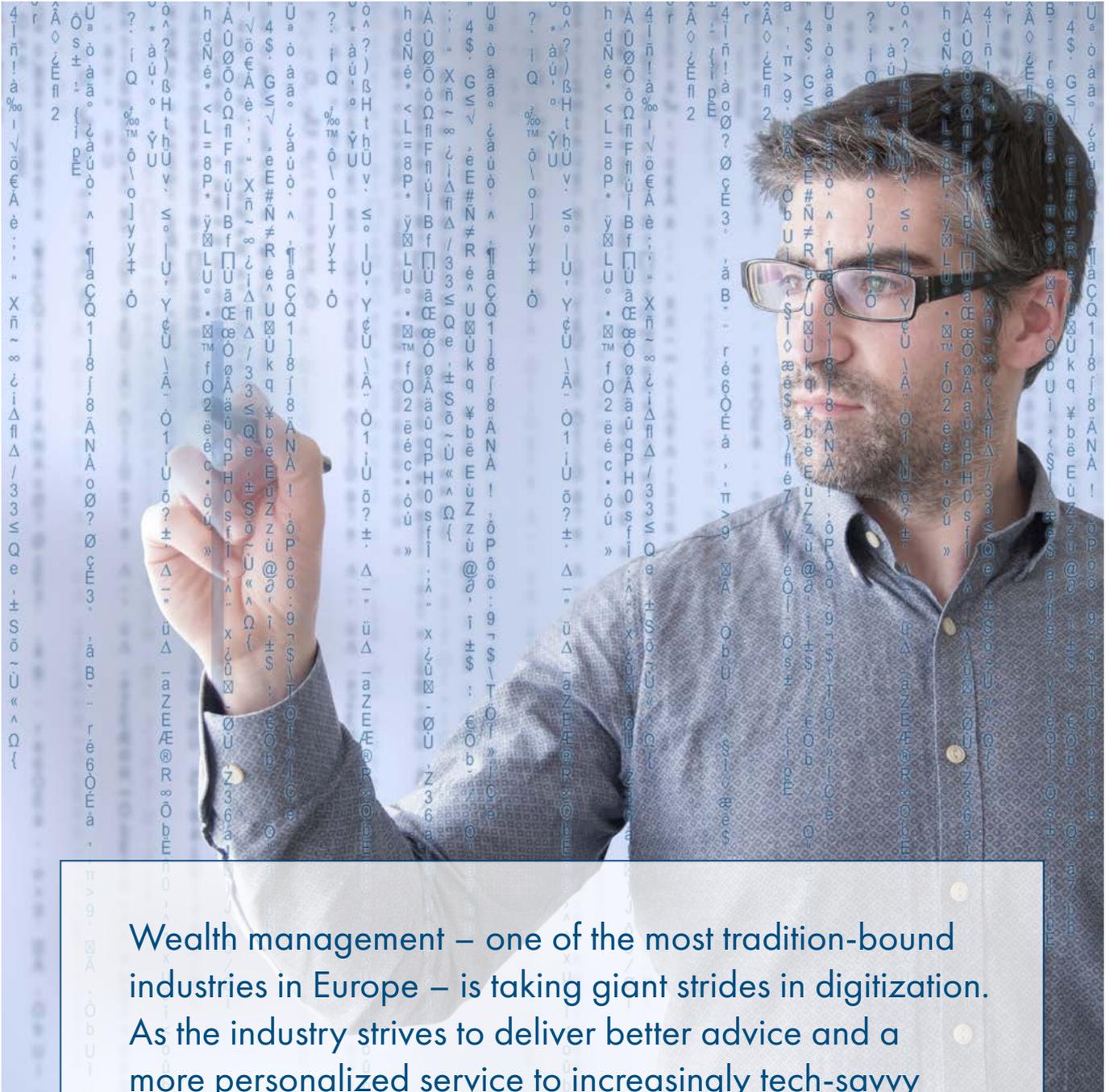
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AI & the modern wealth manager

Personalization and predictive guidance – the next frontier for European wealth management



Wealth management – one of the most tradition-bound industries in Europe – is taking giant strides in digitization. As the industry strives to deliver better advice and a more personalized service to increasingly tech-savvy clients, investments in AI across a number of functions are viewed as essential for improving processes, driving cost efficiencies and bringing data to life. Data analytics, machine learning and other AI tools are the new frontier: not just a suite of technologies, but a strategy around augmented human advice that will allow wealth managers to give every client high-quality service in a very customized way.

Temenos and Forbes Insights surveyed 310 wealth managers (WMs) and high-net-worth individual (HNWI) investors across the globe to better understand how AI is playing out on the ground and where the technology is heading. Of the total number of respondents, 24% came from Europe.

The clear message from Europe is that AI is here to stay. Whereas two years ago WMs were principally interested in how AI could assist with compliance, particularly across borders and different regulatory regimes, the suite of technologies that make up AI are today viewed as indispensable for achieving a broad range of goals: from increasing operational efficiency and product innovation, to retaining talent and capturing new business in the mass affluent segment of the market.

In Europe, 41% of WMs see AI as a game changer, while 57% believe technology has a strong potential to transform wealth management for the better. But in the area of data analysis and personalized insights 80% believe AI is important in delivering better results.

“The wealth management industry is modernizing rapidly in the face of multiple challenges,” says Steen Jensen, Temenos Managing Director for Europe. “The industry is focused on improving services, becoming more cost efficient and on increasing fee-based income streams.”

“It also wants to capture more of the mass affluent market. So we are seeing greater readiness to spend on technology and AI across the board. Wealth managers know that data is the key to real predictive investment guidance and personalization. Success in these efforts will come down to having relevant and consistent data.”

“The trend is coming; we are not there yet, but it is the next frontier,” he says.

In Europe, 41% of WMs in our survey said they are actively deploying AI and are “all-in”,

compared with 33% of WMs globally. Three quarters of WMs in Europe are actively deploying machine learning and 46% are deploying deep learning, while more than half the respondents are investing in computer vision, image recognition and natural language processing. Of those who are not currently deploying AI, 42% expected to do so within the next year.

In all, 91% of European WMs expressed a positive attitude towards digitization.

At a global level, 52% of respondents regard the digitization of wealth management services as essential. APAC and European WMs lead the pack, with 70% and 63% of respondents respectively saying they see digital technologies as essential to the successful delivery of enhanced client experiences.

Figure 1: Which statement best expresses your opinion on the digitization of wealth management services?

	MIDDLE EAST	NORTH AMERICA	ASIA PACIFIC	EUROPE	LATIN AMERICA
It is essential, I need a virtual platform to do my job and enhance my client’s experience	27%	38%	70%	63%	45%
It is good overall, but it frustrates my traditional clients	55%	46%	22%	28%	35%
It frustrates me because I spend so much time wrestling with technology	18%	14%	7%	4%	17%

Note: total percentages may not add to 100% due to rounding.

Technology — particularly AI — is a critical tool for delivering key business goals and results, according to the results of the recent Forbes Insights/Temenos survey (Figure 2). In Europe and APAC,

“Increasingly, wealth professionals demand the right kind of digital tools and data insights to advise clients. They see it as an essential part of their credibility”, says Temenos’ Jensen

more than 80% of WMs see technology as significant for improving operational efficiency, talent retention and innovation in products and services.

As regards delivering results (Figure 3), the survey revealed predictive and machine learning aspects of AI were seen as key to enhancing cybersecurity and protection against fraud. AI is also seen as a driver of transformative personalization in wealth management. Both the executives and the clients surveyed believe the biggest impact will be on risk management, with better analysis and forecasting—the same elements that will deliver true predictive investment guidance. This will give each client a whole new level of attention.

Figure 2: How significant is your use of technology in pursuing the following business goals? (top three areas)



Figure 3: How important is AI in delivering better results in the following areas? (top three areas)



When it comes to client/WM relationships, the tradition of one-to-one meetings between clients and their trusted advisors is still highly valued in Europe. There are still perceived risks in deploying AI, including hacking and cyber attacks and privacy issues, according to respondents in our survey.

WMs also reported that clients might perceive the intrusion of technology in the form of robo advisors as a lack of personal attention, and that even tech savvy clients still put great store in face-to-face conversations. As a result, technology (mobile

apps, online platforms) in Europe plays a smaller role in client relationships than in other parts of the globe – where distances may be greater and clients more mobile.

Only 22% of respondents in Europe said that 76-100% of their client relationships were technology-based (Figure 4)

compared with 30% in North America and nearly 40% in Latin America.

Figure 4: Europe – How much of your client relationships are technology-based today?



How Wealth Managers around the world view AI

Survey results among wealth managers in various regions of the world – Europe, Latin America, North America and Asia-Pacific – show different levels of acceptance and understanding of AI.

Digitization

63% of WMs in Europe say digitization is essential, versus a global average of **52%**. This compares with **70%** in the Asia-Pacific region and **45%** of wealth managers in Latin America.

Understanding

67% of wealth managers in Europe are testing or deploying the use of AI in their companies, compared with **80%** of Asia-Pacific, **50%** in North America and **44%** in Latin America.

Approach

European and North American wealth managers are the most likely to consider AI a “game changer” (**41%** and **30%** respectively). In Asia-Pacific and Latin America, wealth managers are more likely to see AI as an enabler to help their firms deliver better client experience (**71%** and **65%** respectively) than as a game changer (**24%** and **26%** respectively).

Robo Advisors

Two years ago, the emergence of robo-advisors, which automate asset allocation and portfolio management, was a radically new technology in wealth management. In Europe, **91%** of respondents now view the technology in a positive light. Yet on a global scale, Europe still lags behind Latin America (**56%**), North America (**44%**) and Asia Pacific (**33%**) in regarding robos as essential for managing client portfolios.



The emerging mass affluent client

In terms of business development AI is also seen as the gateway to reaching the mass affluent market profitably.

67%

Capturing more of this market segment remains one of the most important business goals for European WMs.

The segment — those with investable assets of £74,000 to £740,000 — represent a vital target for wealth managers given the revenue these clients represent for traditional or retail banks. Bringing these investors into the wealth management fold would have a big impact on overall revenue growth.



In Europe, almost half of respondents cited customer focused analytics as the most important tool to acquire and retain mass affluent clients.

How AI is affecting high-net-worth individuals

// In Europe, there is still a certain nervousness among clients about what AI will bring. Clients question whether they will still be in control if there isn't a human being on the other side. The desire for more concrete data, options, doesn't mean HNWI's are willing to forego the personal touch. That means the industry still faces challenges in explaining what it hopes to achieve with new technologies – the benefits and the opportunities."

STEEN JENSEN, TEMENOS MANAGING DIRECTOR, EUROPE

At the same time, wealthy clients are becoming more sophisticated in their use of technology, a secular trend that will only gather steam as millennials and younger generations age into the bedrock segment of the business. While North America leads the way, with 54% of HNWI's saying they are extremely interested in the technology, Europe is not far behind with 41% of wealthy clients saying they are very positive about the use of AI in wealth management (Figures 5 and 6).

41%
of wealthy clients saying they are very positive about the use of AI in wealth management

Figure 5: What is your attitude about the use of AI in managing your wealth?



48%

Interested but waiting to see results

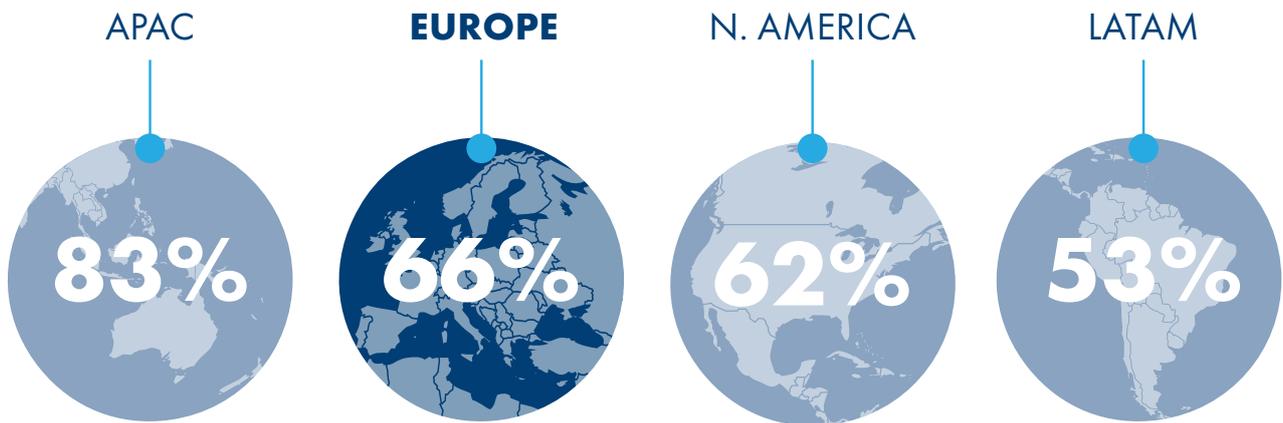


41%

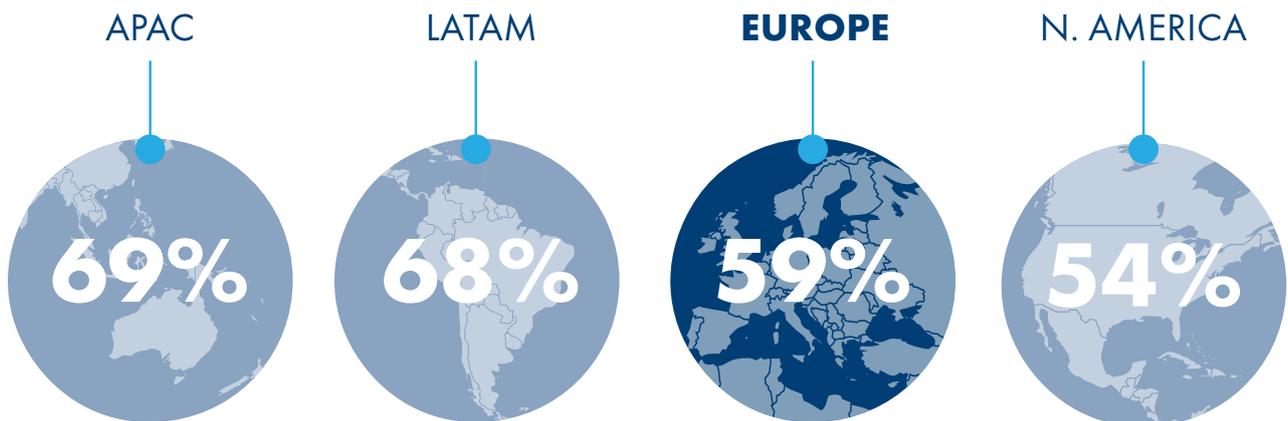
Extremely interested about its use or the prospect of its use

Figure 6: Percentage of HNWI's surveyed who agree or strongly agree with the following:

My wealth manager should adopt some level of AI immediately



The use of AI among wealth managers will be the key differentiator and it will determine whether I remain or leave my current wealth manager



| Conclusion

In Europe, as in other parts of the globe, the future of the wealth management industry is now unthinkable without AI. Wealth managers clearly see the critical importance of leveraging AI across their organizations to make data smarter and deepen relationships with clients, whose enthusiasm for new technologies is itself contributing to the changes we're seeing today. That virtually every executive in the Forbes Insights/Temenos survey sees AI as an essential tool in their practice is more than a telling indication of where the industry lies right now – it's notice to take action. The role of AI as a massive accelerator of processes is already here. The next frontier – and the real game changer for the industry – will be the delivery of predictive investment guidance based on data analytics. The second wave of AI in wealth management is already on its way.

“AI in wealth management is here to stay. The next frontier is data analytics to provide a more personalized service in a cost-efficient manner – the key to acquiring and retaining clients in Europe.”

STEEN JENSEN, TEMENOS MANAGING DIRECTOR, EUROPE

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