



**TEMENOS**  
THE BANKING SOFTWARE COMPANY

# Australian Wealth Management in the 'New' new normal.

In September 2019, I wrote a short piece about the financial services sector in Australia and how I believed the industry could, and should, seek to leverage technology in order to assist in meeting the required outcomes of the Royal Commission.

However, in 2020, what a difference a year makes!





## WHAT A DIFFERENCE A YEAR MAKES...

Perhaps not surprisingly, the key focus of my report suggested the use of reg-tech solutions to help to ensure ongoing compliance. To seek high levels of straight through processing and back / middle office automation to protect margins whilst still offering quality advice to all investors. To make use of robo-advisory platforms to enable low cost and timely portfolio rebalancing and the adoption of improved digital channels solutions to reduce servicing costs and engage or re-engage customers.

With the whole world now fighting a global pandemic, many of these concerns may now have to take a back seat as financial services organization shift focus to other, more urgent priorities. At best, many organizations will now run initiatives in parallel, seeking crossover wherever possible and allocating both budget and resources only to those initiatives deemed most critical.

Australia's response to the Covid crisis seems to have been a mixed bag. As most of the state of Victoria returns to a Stage 4 lockdown until mid-September, questions have been raised about the possibly premature lifting of restrictions following the initial first wave.

Many of the government responses however were both swift and unprecedented. Economic aid, at circa 18% of GDP has outpaced many other comparable countries including Canada, with whom Australia shares a relatively similar population size, density and geographical spread. Interest rates, already quite low have been cut once again to 0.25% where they may be expected to remain for quite some time.

As unemployment climbs to double digit territory, many other initiatives have been quickly adopted to support the most vulnerable industries, including of course, those most severely impacted – entertainment, hospitality, travel and tourism.



## THE CHALLENGES FACED BY FS ARE NOT UNIQUE TO AUSTRALIA

The financial services sector, and especially the wealth and investment management segment was already suffering from post-Royal Commission reputational challenges. **A quick adoption of a 'community mindset' will certainly have helped to win back the trust of consumers but as earnings continue to decline, property prices fall, savings are eroded and jobs are lost, for how long can financial institutions continue to erode their own capital buffers and protect the interests of their own shareholders?**

The challenges we are witnessing in Australia are obviously very important but are by no means unique. The conversations we are currently engaged in across the globe are focused on a relatively small number of common themes however in Australia, the pandemic has fallen hot on the heels of a Royal Commission enquiry that had already seen a number of financial services business embark on significant operational change programs.

Prior to the onset of Covid, capital expenditure was focused on post-Commission remediation

initiatives and preparation for what was envisaged to be a drastically different wealth management landscape. With many banks divesting their wealth operations, some were seeking new, more modern wealth management platforms and smaller firms, hampered by large industry exits, were seeking ways in which they could service and engage with clients in a more efficient and cost effective manner.

As the industry now looked towards the 'new, new normal' – these requirements will not have disappeared but the rapid inset of Covid may expedite these investments, see some adjustments in priority and, in some cases, see some minor changes in investment focus.

Having witnessed the long term impacts of the UK's Retail Distribution Review in 2012, the exodus of advisers from the industry and the resulting advice gap that the removal of commissions created, many institutions were seeking ways in which they could service both mass affluent and retail clients in a manner that added value, met with increasingly rigorous compliance requirements and yet was cost effective and profitable.



## **INTUITIVELY, THERE IS A SHARP INCREASE REQUEST IN DELIVERING COMPLEX ADVICE AND SERVICES REMOTELY**

Fortunately, the tools most suited to meeting these requirements are the same now in demand to meet the challenges brought on as a result of the global pandemic – a sharp increase in service requests and advice requirements but with a need to enable remote delivery to support prolonged periods of social distancing.

Falling interest rates and volatile stock markets are a cause of concern from many retirees, reliant on their portfolio for the provision of income.

Corporate customers are seeking urgent business related advice but may be unable to visit a branch or to speak with an adviser face to face. Retail customers may be struggling to meet regular financial commitments, debt obligations or savings and investment goals. Some may wish to draw down from existing investments to meet living expenses or medical costs and many are simply seeking advice on how best to weather the storm.

**Whatever the personal challenges of their customers, the primary issue faced by most institutions is the remote provision of urgent and possibly complex advice and services to a distributed customer base that may be facing restrictions on their ability to visit a branch, office or meet 'in-person' and face to face.**

The intangible nature of financial services products, trust issues stemming from the Royal Commission findings and clients across all segments facing urgent and difficult challenges place a large emphasis on the importance of direct, quality customer engagement – which is unfortunately both expensive and difficult to achieve during ongoing pandemic restrictions.

## **SOME LARGE INSTITUTIONS ALREADY SEEK TECHNOLOGY SOLUTIONS TO ENHANCE OPERATIONAL CAPABILITY**

Increased self-service channel functionality, AI and machine learning driven automation and integrated platforms capable of more frictionless, efficient and less costly straight through processing will all help institutions to provide high levels of service at the lowest possible cost – measures that will help both now, and in the future.

The use of digital onboarding, much of which can be pushed via dedicated client portals and self-service channels can automate this traditionally costly and labor intensive workflow.

Goal based planning tools can help retail and mass affluent investors to allocate available funds to risk matched portfolio without the need for specific face to face advice. Robo-advisory tools can allocate funds to suitable risk matched portfolios, monitor, track and report performance and fully automate switching and rebalancing, again, at a fraction of the cost a manual process may require.

Better CRM platforms and client lifecycle management applications will enable advisers and relationship managers to better anticipate and react to customer needs in a timely and cost effective manner.

**Finally, there are many options allowing more efficient, secure and compliant communication from Omni-Channel messaging to secure, encrypted video conferencing – remote client communication can in fact increase client contact, reduce servicing costs and enhance operational efficiency.**



A number of larger institutions were already seeking revised technology solutions to enable enhanced operational capability following the Royal Commission and they may now find they have competing internal priorities, possibly at a time when they are facing their own revenue uncertainty.

A natural reaction may be to shift focus to 'quick wins' – revised solutions that can enhance digital capability and client engagement. We of course would urge some caution with this approach.

## **LOOKING AT THE LONG TERM, INSTITUTIONS SHOULD TAKE THIS BLACK SWAN EVENT AS A WAKEUP CALL FOR EVOLVING TO PLATFORM-BASED DIGITAL SERVICES**

Whilst it may seem intuitive during this current challenging period, especially in the face of constraints on both resource and budget, in

the longer term, efficiency gains in front office applications may soon be eroded if operational flows are subsequently hampered by slow and costly manual middle office and back office challenges, a result of aging legacy systems.

**Our best advice is to seek an optimal investment balance, a 'line of best fit' that will enable improvements throughout the front, middle and back office and enable benefits to the organization both in the short term in coping with pandemic related challenges and in the longer term – a post Commission, post-Covid, new, new normal.**

This may require a strong degree of internal compromise but one must remember the pre-pandemic challenges that still require long term solutions. Although the timeframe may be longer than any of us hoped or anticipated, we must believe that the worst impacts of the Covid pandemic will eventually pass and the institutions that emerge best prepared for the future will be those that invested resource in an optimal mix, focused on both the short term needs of their customers and the longer term needs of their organization.

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