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# FINAL WORD 2018: ANSHU KAPOOR, EDELWEISS PRIVATE WEALTH MANAGEMENT


Anshu Kapoor, head, Edelweiss Private Wealth Management shares his views with *Asian Private Banker* in the 'Final Word', a ten-part series where the industry's leaders share their thoughts and opinions on key issues around industry trends, business performance, investment solutions, regulations and compliance, and technology.

## Industry trends | What is the state of Asia's talent pool and did your firm pay significantly higher for new talent? What is your view on private

## banking talent development in Asia?

Wealth management in India is still nascent and, although wealth has grown substantially — today there are some 150,0 UHNW families with US$2 trillion in wealth — talent required to bank this wealth is not readily available.

For the UHNW client category, across the industry, there are no more than 1,000 qualified financial advisors. Hence, scarcity of talent is clearly visible in India. The UHNW horizon is projected to grow to 400,000 families with total wealth exceeding US$5 trillion by 2025. As it stands, a lot more talent needs to be developed to cater to this opportunity. Also there is no formal training or courses available that can facilitate talent supply.

At Edelweiss, one way we have built our team is by looking outside the wealth management industry — for example, investment banks, securities firms, corporate banks, law firms, consultants. 25-30% of our employees come from these diversified talent pools and the remainder are wealth advisors who join us to seek long-term career growth. We also hir from campuses. Our diversity allows us to deliver our value proposition to an equally diverse range of clients and bring different thoughts and ideas to enhance our service offering.

Talent development is an integral strategic priority for us. We have divided our talent into three talent pools with sharpl defined metrics in a framework called 'practice management', which is a classroom-based, digitally enabled mentoring workshop with themed sessions. The career path for each talent pool is specifically managed and tracked.

## Business Performance | In the midst of what has been construed as an increasingly difficult macroeconomic environment, how do you think th private banking and asset management industry will perform in 2019? Will it be a year to separate the wheat from the chaff?

Given the wealth management opportunities in India, shortterm macroeconomic events don't take away our long busin growth ambitions. We're confident that we will continue to grow in the range of 25-40% CAGR for the next five-to-sever years. There could be occasional blips due to macroeconomic factors. Yes, India is an onshore market and brings with all sorts of complexities. Therefore, to become significant, any new player will have to develop an understanding of loc market conditions.

We believe there will be a few players who will start dominating given their size, capabilities, and value proposition anc that periodic consolidation will happen in the industry.

## Business Performance | What is the one revenue line that you must buil up significantly in the coming few years to ensure business sustainability? What is your view on the revenue mix of the industry in general?

The revenue model of a wealth manager is largely determined by the choice of client segment. Within our segment we believe revenue will go up significantly for alternate and emerging asset classes (distressed assets, structured credit), high-yield fixed income, and credit solutions.

## Investment Solutions | Though continued geopolitical uncertainty and volatility pose a challenge for DPM performance, will this ultimately prove to be a boon for the discretionary business, converting clients from trade to delegation? In these same market conditions, how critical will the alternatives business be for private banks in Asia moving forward?

In our market, clients do have the tendency not to give away control on investing decisions. However, we're noticing ar increased preference of the newer generation of decision-makers for partially giving up control on the core or passive part of their portfolios. We believe this trend will continue. Alternate solutions in India is a fairly new asset class and we believe these will become sizeable in the coming years. Edelweiss is the largest alternative asset manager in India — w manage India's largest distressed asset and structured credit funds.

## Investment Solutions | Ten years on from the GFC, how has your produc shelf evolved and how has clients' perception of structured products changed since then?

Structured products are a fairly new instrument in India as regulations don't permit product diversity the way it is availa in offshore markets. We're attempting to evangelise structured products as a core investment solution in client portfolic to help manage risks/volatility and are the largest issuer of structured products with more than 50% market share in Inc

## Regulations & Compliance | What's the essential tool you have or are planning to create that will help your firm tackle the uptick in regulatory stringency and scrutiny? Do you think that the compliance costs of your business have peaked?

Our belief has always been that regulatory change which is good for the client is good for the business and for the industry. We frequently engage with regulators to propose changes to safeguard client interests and avoid any friction the processes that can help the industry. We believe costs can be managed by enhancing efficiency through technolog and automation.

## Regulations & Compliance | Are you satisfied with how regulators interact and solicit the industry for feedback?

Yes.

## Technology | What is your view on robo-advisors and is your firm developing robo-capabilities of its own? Have you observed any robo-advisory developments that could materially disrupt the industry?

We have opted to deploy a hybrid business model which means an expert financial advisor aided by digital tools combined with digital delivery of our offerings directly to the clients. We believe that the role of the financial advisor wi transition from being a quasi investment advisor to a solution provider.

## Technology | What emerging technology applications do you expect to reach an inflexion point in their convergence with private banking and wealth management? What impact will they have on the operational models of private banks and wealth managers? Who will be the biggest industry disruptors?

So, the way we see technology, it serves two purposes: empowering clients and empowering employees.

For clients, data analytics will be a key success enabler which all banks and the financial services industry need to develop. In our opinion, today most of the advice delivered to clients is reactive and comes with a time lag. By using technology and data analytics, this gap can be bridged.

For our people, the tools which enable them to understand and analyse client needs and behaviours and enable them respond proactively will be the key. All of these will help deliver insights that can be used to drive decisionmaking. Cor asset allocation will get commoditised fairly fast and anyone can provide that at a very low cost to the clients.

Hence, disruption can potentially come from anywhere. The disruptors can be anyone, including technology companie: However, as long as the incumbents — wealth managers — keep moving up the value chain in offering customised solutions, they will scale up.

Meet 2018's industry leaders in the full round up of of *Asian Private Banker*'s the Final Word 2018.