



HONG KONG MONETARY AUTHORITY
香港金融管理局

QUINLAN
& ASSOCIATES

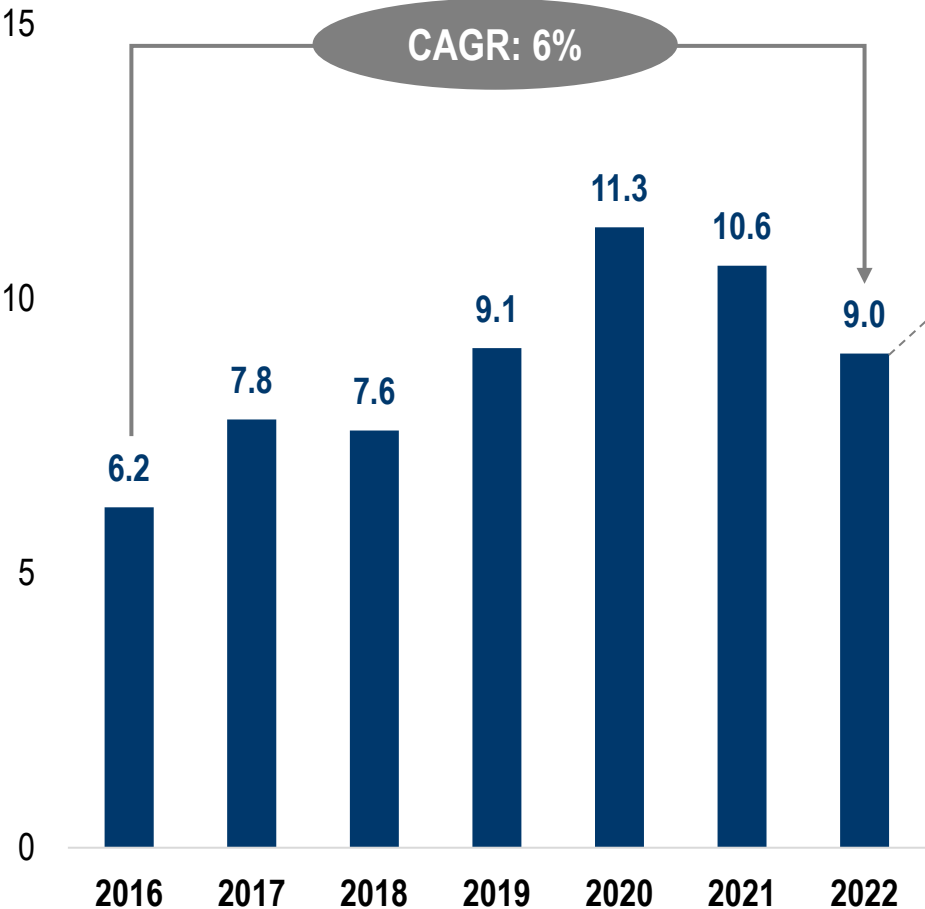


Redefining Wealth Management with Technologies: Challenges, Solutions and Success Stories

HONG KONG'S WEALTH POOL IS VAST; 50% OF AUM IS RETAIL / CORE AFF.

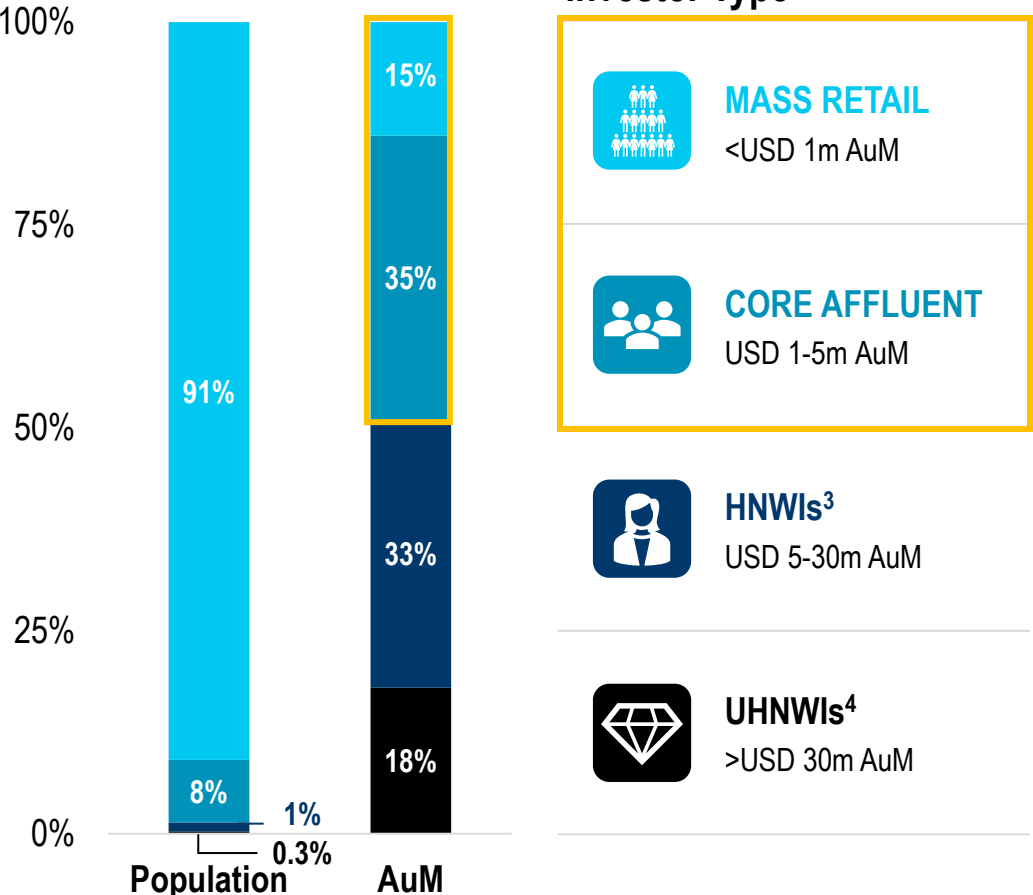
AuM¹ of Wealth Management

Hong Kong, 2016-22, HKD Trillion




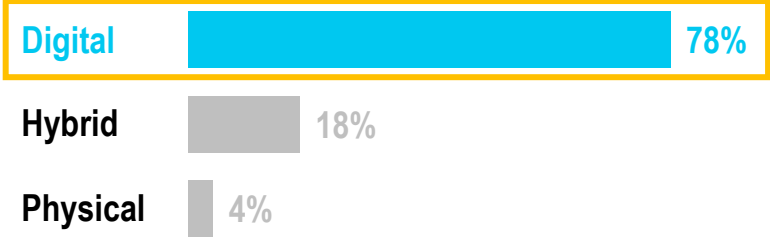



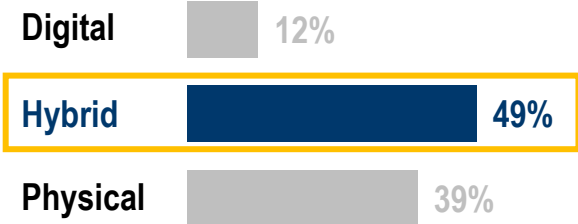
Estimated Share of Adult Population and AuM

%, By Investor Type²

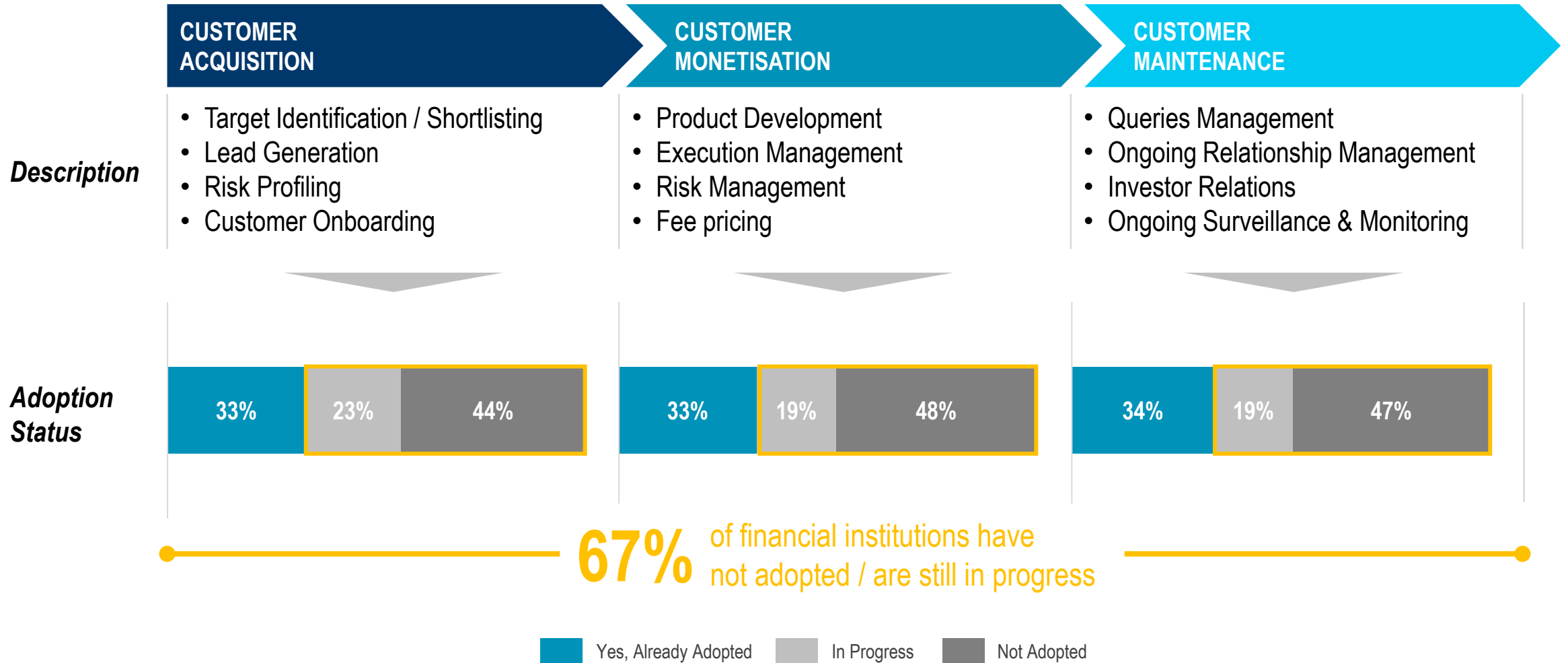


¹Assets Under Management; ²Numbers may not add up to 100% due to rounding; ³High Net Worth Individuals; ⁴Ultra High Net Worth Individuals; Source: Hong Kong Securities and Futures Commission ("HKSF"), SCMP, KPMG, Standard Chartered, Knight Frank, Quinlan & Associates analysis

CUSTOMERS ARE DEMANDING DIGITALLY-ENABLED SERVICES...

Investor Type	Product / Service Requirements	Channel Preference						
MASS RETAIL <USD 1m AuM	 <ul style="list-style-type: none"> • Non-complex products • Low-touch service 	 <table border="1"> <tr> <td>Digital</td> <td>78%</td> </tr> <tr> <td>Hybrid</td> <td>18%</td> </tr> <tr> <td>Physical</td> <td>4%</td> </tr> </table>	Digital	78%	Hybrid	18%	Physical	4%
Digital	78%							
Hybrid	18%							
Physical	4%							
CORE AFFLUENT USD 1-5m AuM	 <ul style="list-style-type: none"> • Non-complex and complex products • High-touch service 	 <table border="1"> <tr> <td>Digital</td> <td>27%</td> </tr> <tr> <td>Hybrid</td> <td>38%</td> </tr> <tr> <td>Physical</td> <td>35%</td> </tr> </table>	Digital	27%	Hybrid	38%	Physical	35%
Digital	27%							
Hybrid	38%							
Physical	35%							
HNWIs / UHNWIs >USD 5m AuM	 <ul style="list-style-type: none"> • All above + other alternative investments • High-touch service 	 <table border="1"> <tr> <td>Digital</td> <td>12%</td> </tr> <tr> <td>Hybrid</td> <td>49%</td> </tr> <tr> <td>Physical</td> <td>39%</td> </tr> </table>	Digital	12%	Hybrid	49%	Physical	39%
Digital	12%							
Hybrid	49%							
Physical	39%							

...BUT WEALTHTECH ADOPTION IN HONG KONG IS STILL LAGGING



TRADITIONAL PROPOSITIONS ARE BEING CHALLENGED

SELF DIRECTED MODEL



TRADITIONAL OFFLINE BROKERS

Brokers that rely primarily on offline channels (i.e. RMs), though some offer digital platforms



DISCOUNT ONLINE BROKERS

Brokers that offer a seamless, low-cost digital user experience to retail investors



GUIDED DISCRETIONARY MODEL



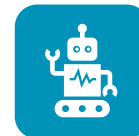
HUMAN ADVISORS

Traditional human advisors who provide a full suite of investment advisory services in person



DIGITALLY-ENABLED HUMAN ADVISORS

Technology-aided advisors who use certain technologies to offer financial advice to clients



ROBO-ADVISORS

All investment services for clients delivered via algorithms, with minimal human supervision

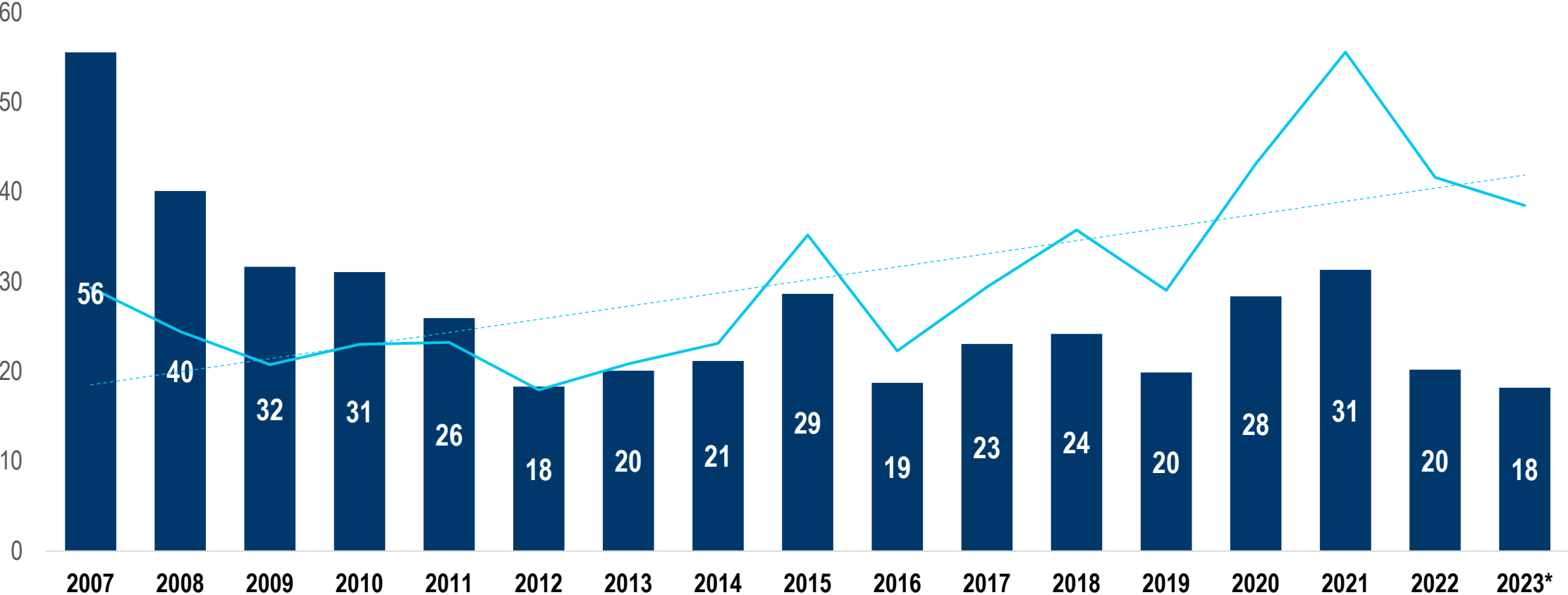


LOCAL BROKERAGE MARGINS ARE FACING ONGOING COMPRESSION

Commission Income

2007-23E*, HKD Billion

■ Net Securities Commission Income
— Turnover of the Securities Market (Average Daily)

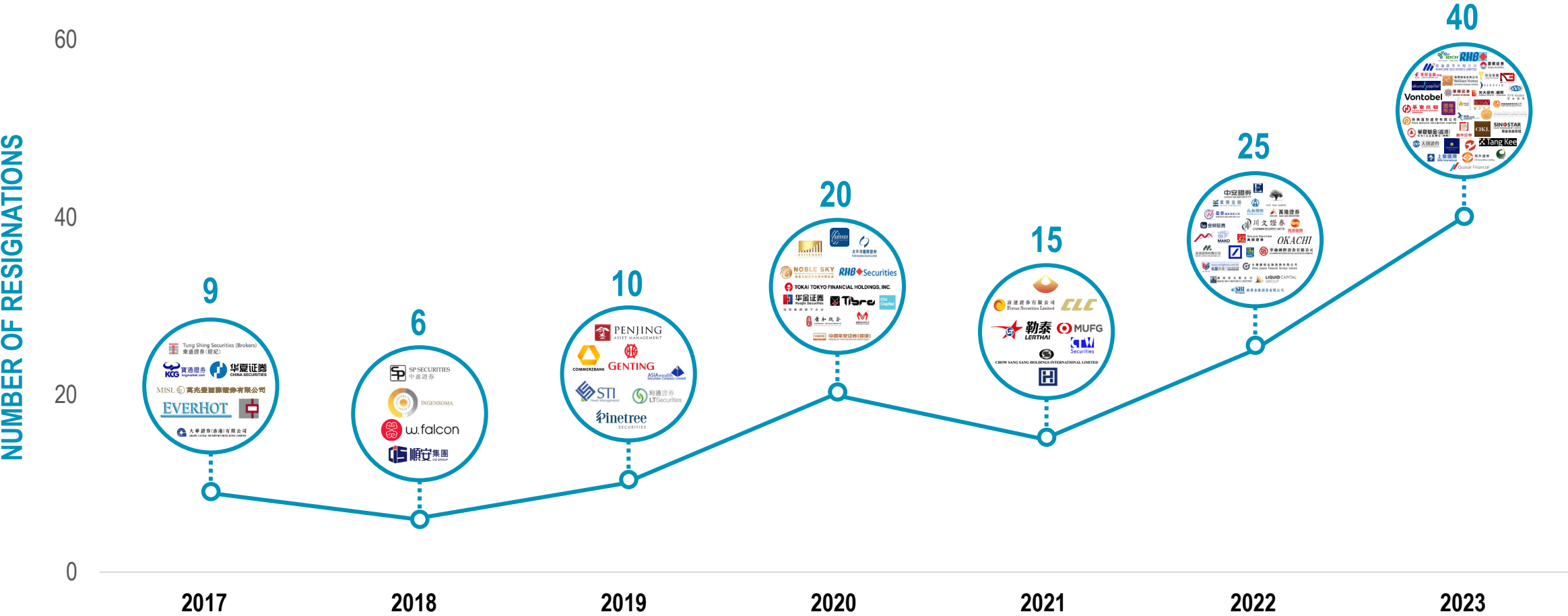


*FY 2023 data estimated based on annualised commission income reported as of June 2023
 Source: HKSFC, The Stock Exchange of Hong Kong Limited ("HKEX"), Quinlan & Associates analysis

MORE TRADITIONAL BROKERS ARE STRUGGLING TO STAY AFLOAT

Number of SEHK Participant Resignations*

2017-23 YTD, #

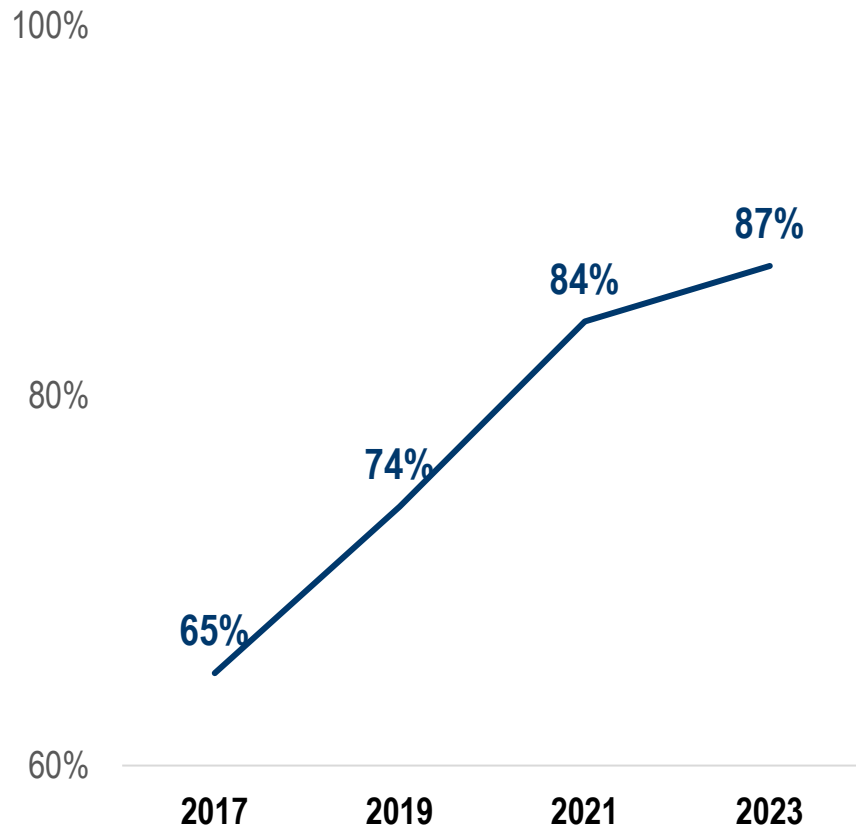


*Only select logos which were available and could fit are showcased
 Source: HKEX, SCMP, Quinlan & Associates analysis

DISCOUNT ONLINE BROKERS ARE RAPIDLY TAKING MARKET SHARE

Online Channel Usage (Retail Securities Trading)

%, 2017-23



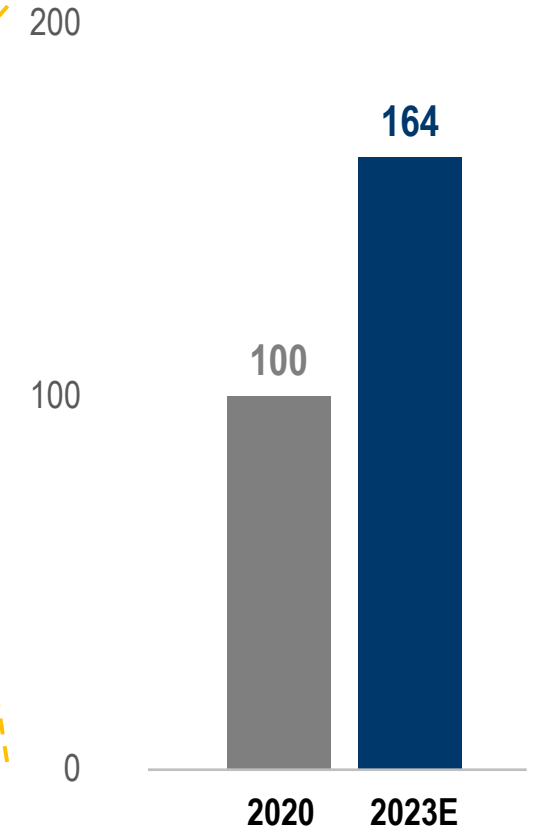
Online Trading Providers

Hong Kong Stocks Securities Account

	Company	Minimum Commission	Internet Trade Commission
ZERO COMM	FUTU	0 HKD	0 bps
	Webull	0 HKD	0 bps
LOW COST	SAXO <small>BY INVESTED</small>	18 HKD	5 bps
	Interactive Brokers	18 HKD	8 bps
TRADITIONAL	standard chartered	50 HKD	20 bps
	恒生銀行 HANG SENG BANK	100 HKD	25 bps

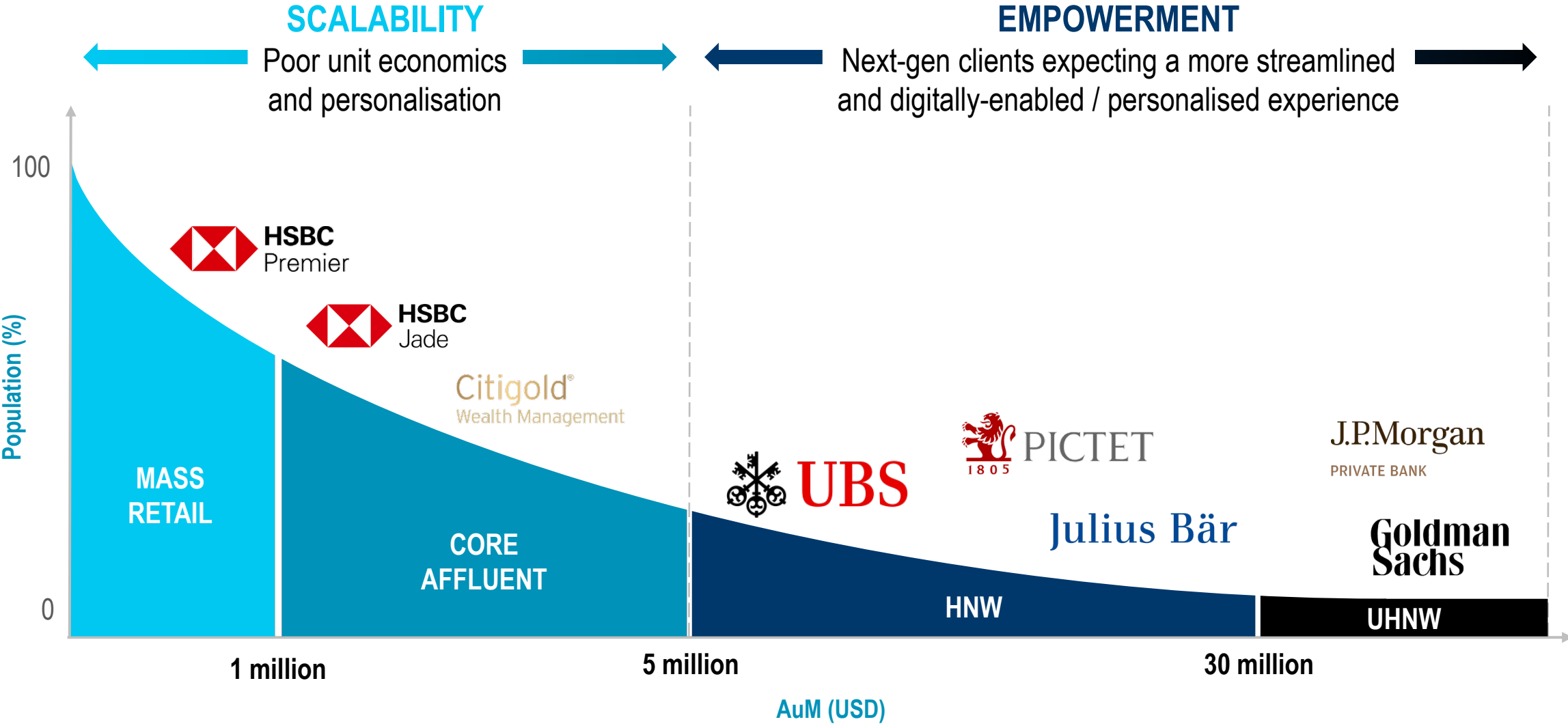
Client Balance*

2020-23E, HKD billion



*The 2023 figure is an estimate based on the total client asset balance for Futu Securities Hong Kong reported in 2020
Source: Investor and Financial Education Council ("IFEC"), Broker websites, Quinlan & Associates analysis

GUIDED WEALTH MODELS ARE ALSO UNDER PRESSURE



Source: Quinlan & Associates analysis

ADVANCED WEALTHTECH SOLUTIONS ARE YET TO BE DEPLOYED

Wealthtech Solutions Availability

Solution Availability (2023)

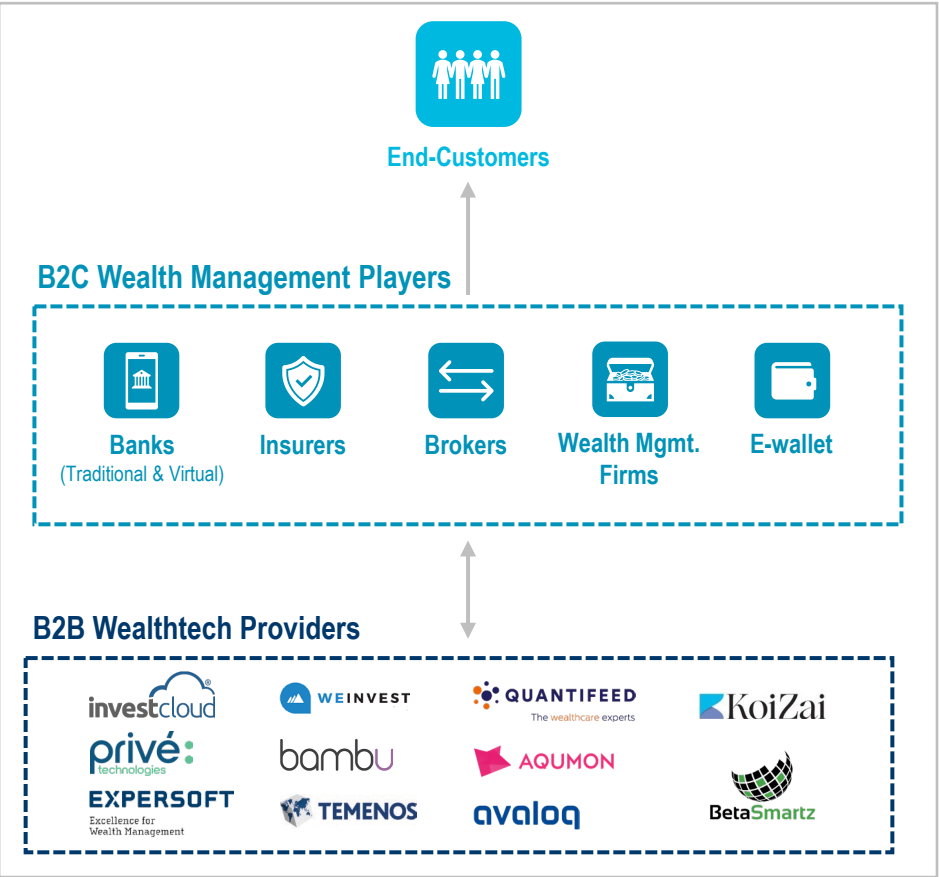


WEALTHTECH CAPABILITIES CAN BE GAINED THROUGH THREE MODELS

	<p>1 </p> <p>BUY</p>	<p>2 </p> <p>BUILD</p>	<p>3 </p> <p>PARTNER</p>
Hong Kong Examples	<p>SoFi  → </p>	<p> WeLab Bank <i>GoWealth</i></p> <p> UBS <i>UBS Partner</i></p>	<p> 中信銀行 CHINA CITIC BANK ↔  QUANTIFIED The wealthcare experts</p> <p> 招商永隆銀行 CMB WING LUNG BANK ↔  AQUMON</p>
Non-HK Examples	<p>J.P.Morgan → Nutmeg.</p> <p> charles SCHWAB →  Ameritrade</p>	<p> Vanguard® <i>Digital Advisor</i></p> <p> charles SCHWAB <i>Intelligent Portfolios</i></p>	<p> DBS ↔  QUANTIFIED The wealthcare experts</p> <p> Rabobank ↔  investcloud</p>

Source: Company websites, Quinlan & Associates analysis

HONG KONG HAS RICH ECOSYSTEM OF B2B WEALTHTECH PROVIDERS



WEALTHTECH PROVIDERS

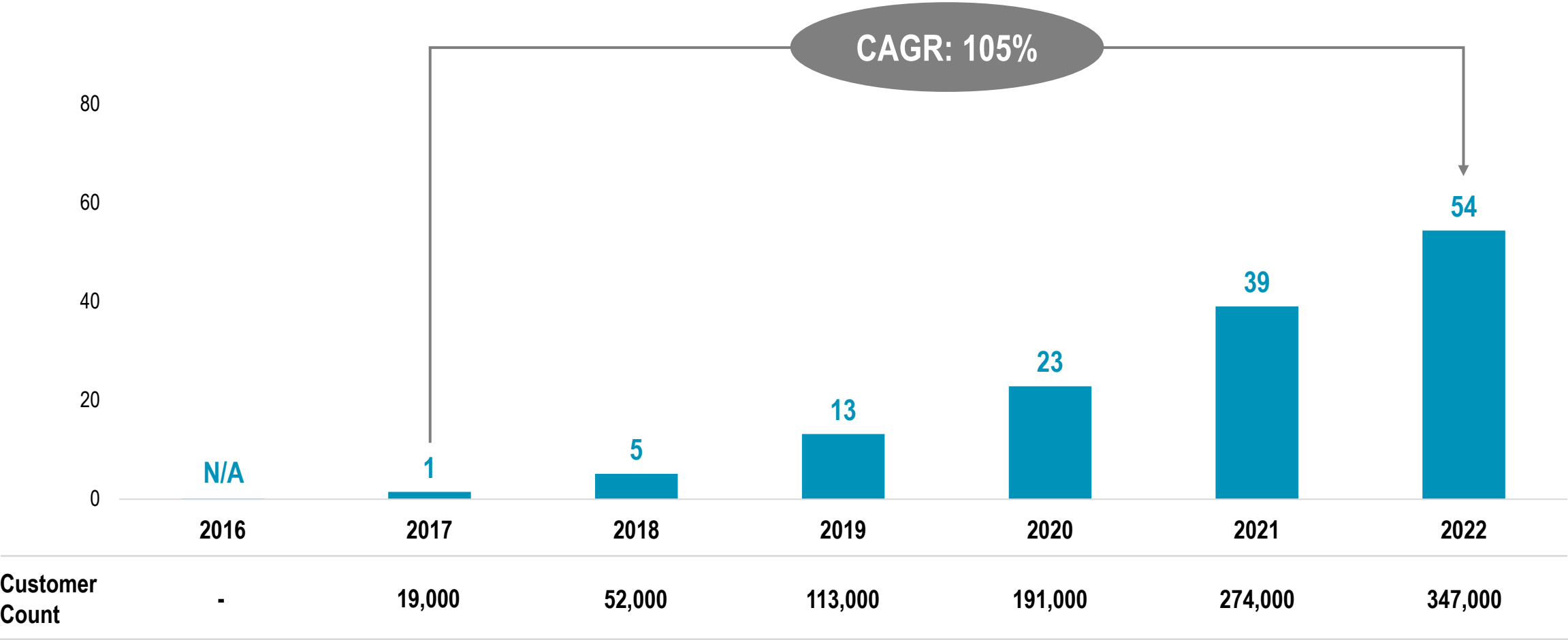
- | | | | | | |
|---|---|--|----|--|--|
| 1 | QUANTIFEED
The wealthcare experts | | 6 | BetaSmartz | |
| 2 | AQUMON | | 7 | WEINVEST | |
| 3 | privé: technologies | | 8 | bambu | |
| 4 | KoiZai | | 9 | EXPERSOFT
Excellence for Wealth Management | |
| 5 | investcloud | | 10 | avaloq | |
| | | | 11 | TEMENOS | |

Source: Company websites, Quinlan & Associates analysis

HONG KONG'S ROBO-ADVISORY MARKET HAS BEEN GROWING FAST

Robo-Advisors AuM

2016-22, HKD Billion



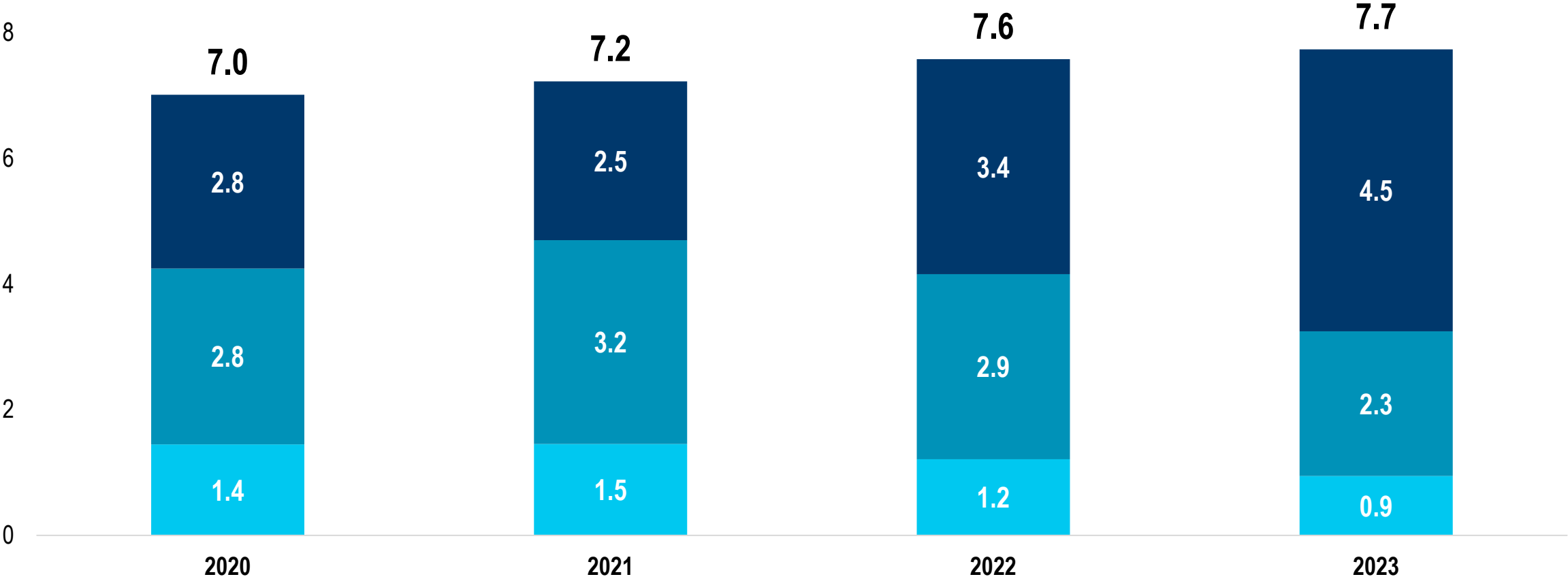
Source: Aggregated estimate based on Robo-advisor websites and disclosures, Quinlan & Associates analysis

RETAIL CUSTOMERS ARE SITTING ON HKD 7.7 TRILLION IN DEPOSITS...

Retail Deposit with Licensed Banks*

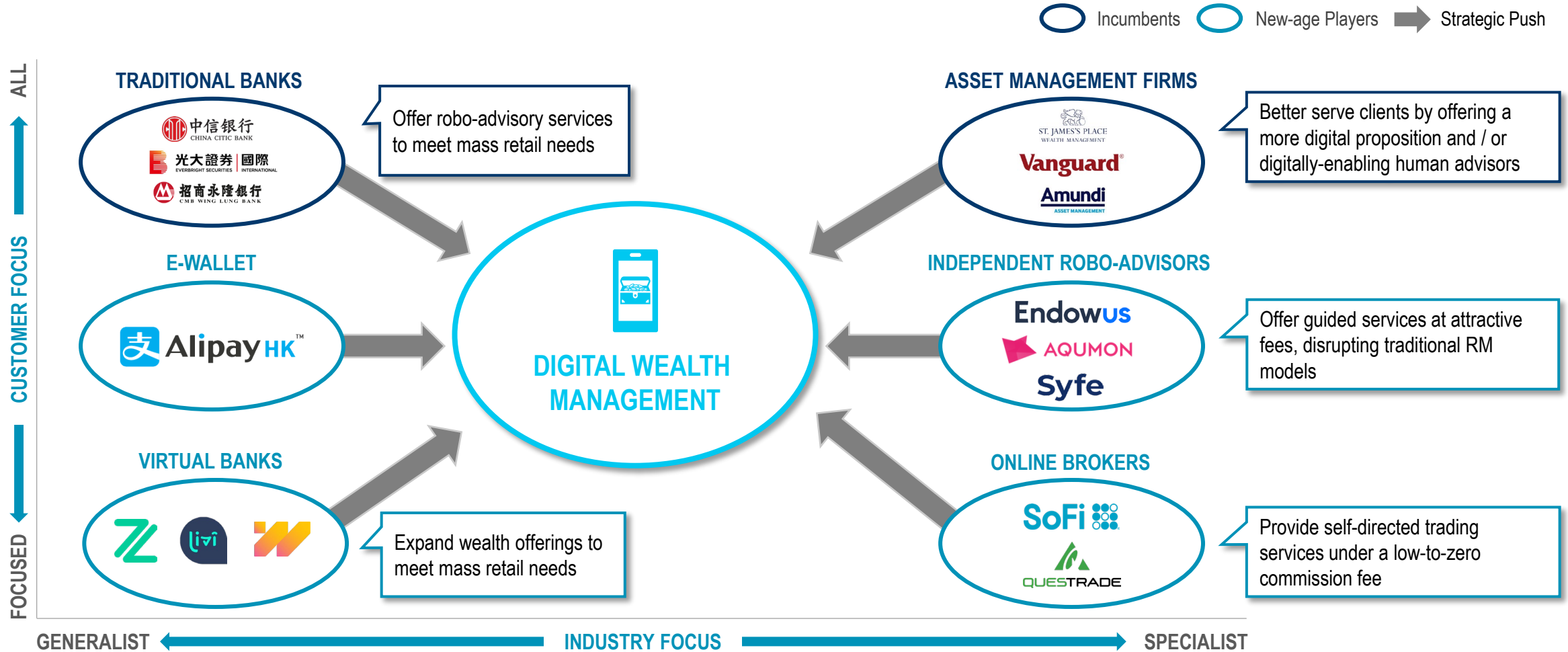
2020-23 (September 2023), HKD Trillion

- Time Deposits
- Savings Deposits
- Demand Deposits

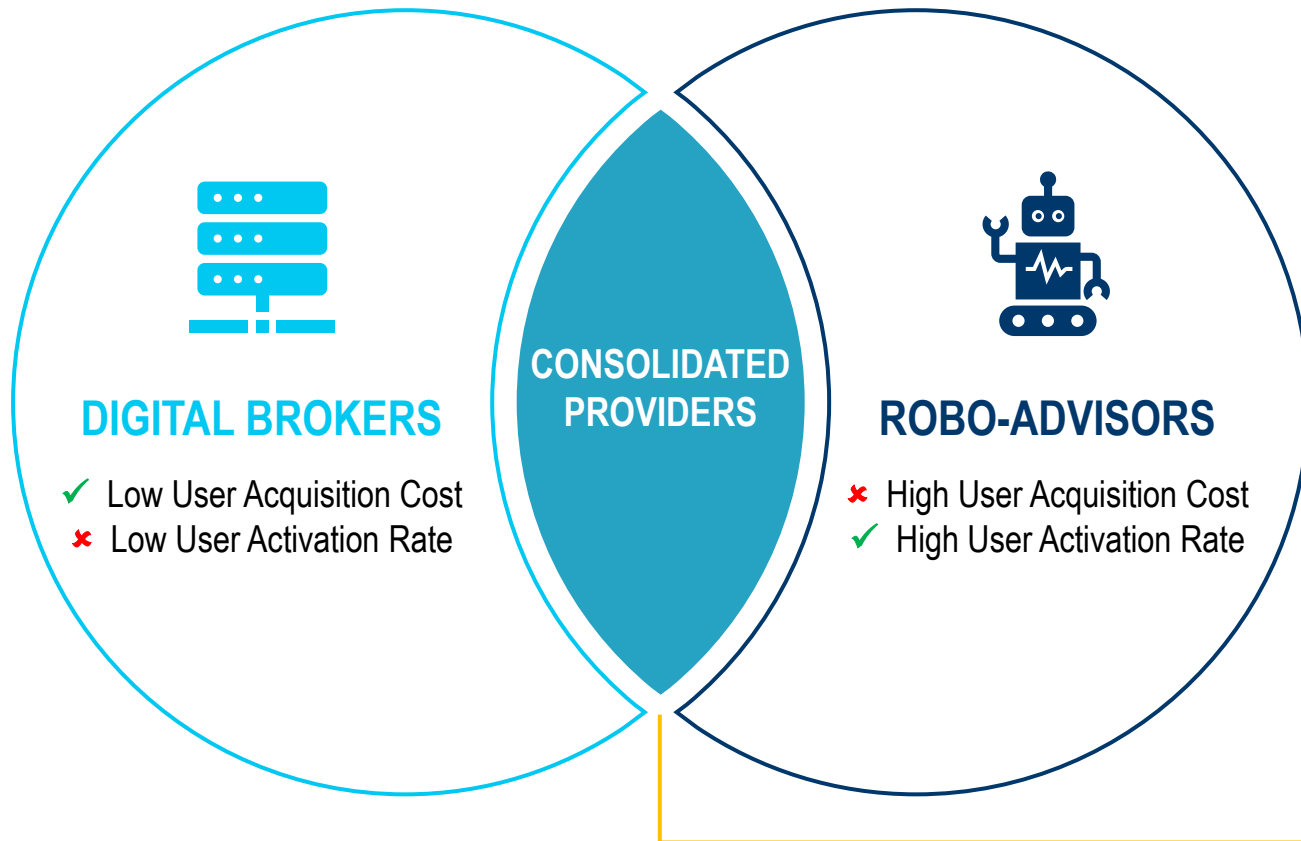


*Estimated based on the proportion of personal / retail deposits to overall deposits held at top 10 largest banking institutions in Hong Kong, averaging to 49%
Source: HKMA, Quinlan & Associates analysis

...AND COMPETITION FOR THESE BALANCES IS RAPIDLY HEATING UP



SELF-DIRECTED AND DISCRETIONARY OFFERINGS ARE ALSO COALESCING



Industry players are consolidating retail brokerage and robo-advisory services, creating a one-stop-shop investment platform for their users

Expansion into Robo-advisory services by Brokers

SoFi

SAXO
BE INVESTED

Expansion into Brokerage Services by Robo-advisors

AQUMON

Syfe

E*TRADE
from Morgan Stanley

KEY CONSIDERATIONS



CUSTOMER SEGMENT

- Mass retail
- Core affluent
- HNWI / UHNWI

SERVICE MODEL

- Digitally-enabled RMs
- Online brokerage
- Guided robo-advisory

PRODUCT / SERVICE OFFERINGS

- Simple products
- Complex products
- Value-added services

OPERATIONAL ENABLERS

- IT infrastructure
 - B2B partnership
 - Capital requirements
-



STRATEGY WITH A DIFFERENCE

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