

Implication of Emerging Technologies in Global Wealth Management Business

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Abstract— Our world continues to evolve at a rapid pace, and this speed of change is accelerating.

In response, organizations are having to create competitive products and services quickly. Innovation and collaboration are becoming critical business capabilities that leverage emerging technologies to create new business models, products and services.

The scope of emerging technology is vast and continues to evolve. Technologies that we focused on several years ago continue to mature, while other new technologies like AI, Blockchain and Virtual Reality emerge. These emerging technologies are like building blocks; they may provide a function on their own but, until they are connected with others, their value is limited.

Cutting-edge technologies are an increasingly common part of wealth management firms' overall business strategies.

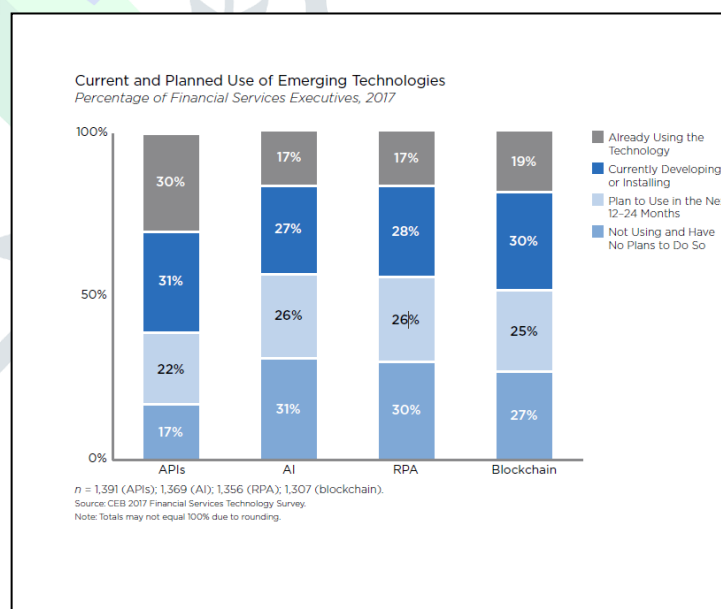
Technology is continuously acting as an amplifier for the continuous growth of the wealth management sector. According to a recent Capgemini report entitled: *Self-Service in Wealth Management*, there is a high demand for digital services. Wealth management firms and financial institutions are thus in the process of developing an environment that is conducive towards the development of self-services for their clients.

I. INTRODUCTION

The world of technology and the global wealth management industry, both are evolving at rapid pace. According to E&Y report, wealth management industry is poised to reach \$70,000 billion by 2021 (approximately USD 55,000 billion). An increasing number of wealth managers are using new technologies to make their operations more efficient and to increase customer satisfaction. The next gen consumers today expect from wealth management companies the same level of technical sophistication, in the form of personalized services that they receive from companies like Amazon and Netflix. Business around the world is tapping into the potential of emerging technologies to address the challenges and meet the expectation of their consumers. According to PWC annual survey report, 76% of CEOs in our annual survey are worried about the speed of tech change. And 64% acknowledge that changes in the technology used to run their businesses will be disruptive over the next five years. Emerging technology should be a key part of every company's corporate strategy. Wealth Managers are looking at creating more efficient operations and enhanced customer satisfaction by leveraging new-age technology. Emerging technologies like Virtual Reality (VR) and Artificial Intelligence (AI) are transforming

the Wealth Management industry, on both the front- and back-end, by increasing efficiency and opening up space to new demographics.

According to CEB 2017 Financial Services Technology survey, a majority of wealth management firms are either already using or planning to use APIs, artificial intelligence, robotic process automation, or blockchain technologies in the next two years.



II. TOP EMERGING TECHNOLOGIES REVOLUTIONIZING WEALTH MANAGEMENT BUSINESS NOW

A. Blockchain

A blockchain is a continuously growing list of records, called blocks, which are linked and secured using cryptography. Each block typically contains a cryptographic hash of the previous block, a timestamp and transaction data.

By design, a blockchain is inherently resistant to modification of the data. It is “an open, distributed ledger that can record transactions between two parties efficiently and in a verifiable and permanent way.” For use as a distributed ledger, a blockchain is typically managed by a peer-to-peer network collectively adhering to a protocol for validating new blocks. Once recorded, the data in any given block cannot be altered retroactively without the alteration of all subsequent blocks, which requires collusion of the network majority.

Blockchain technology is changing the face of wealth management. This commonly decentralised distributed ledger technology is under research & development by most investment companies and property management companies around the world. According to research by Roubini ThoughtLab, it has found that 225 out of the 500 wealth management managers it surveyed had incorporated the technology in some way.

According to Santander report published in 2015 shows that banks and property management companies could save up to \$20bn a year by late 2022. The result will be achieved through using Blockchain technology in asset management. The report shows that adoption of Blockchain techniques in the asset management sector is highly inevitable. Furthermore, blockchain technology will create multiple new classes of assets.

Following are recent success cases in Blockchain space:

- Banks start using we.trade blockchain platform for open account trade finance. Banks are now officially conducting live, commercial transactions on the we.trade blockchain platform for open account trade finance. UniCredit in Italy and KBC Bank in Belgium have announced they have used the platform to facilitate a tinplate trade between metal packaging producer Gruppo ASA and its supplier, Steelforce [1]
- The Marco Polo blockchain platform has moved one step closer to production, having facilitated its first live, commercial pilot transactions. German banks Commerzbank and LBBW have used the platform for two commercial transactions between technology company Voith and pump and valve manufacturer KSB.

Launched in September 2017, Marco Polo is a technology project led by TradeIX and a consortium of banks to build an open account trade finance platform powered by R3's Corda blockchain framework. The aim is to simplify and speed up the processes behind open account trade finance services throughout the trade cycle, with receivables finance and payments commitments being the first products tested on the platform [2].

- Societe Generale-owned private bank and wealth manager, has launched an actively managed exchange-traded note (ETN) targeting the blockchain sector. The London-based bank announced the news on Monday, saying its Luxembourg-listed ETN will invest in companies that could “profit most” from the development and increasing uptake of blockchain technology. ETNs are unsecured debt securities that, like exchange-traded funds (ETFs), are traded on a

stock exchange. The blockchain note will initially have 20 stocks diversified across areas including technology, shipping, oil and gas, custody and industrials [3].

B. Artificial Intelligence (AI)

In recent years, Artificial intelligence has come a long way. Computers are now capable of analysing data and reaching conclusions without the need for human interference.

According to PwC study 54%, of business executives say AI solutions implemented in their businesses have already increased productivity [4].

AI is helping answer the big question about data. Many companies haven't seen the payoff from their big data investments. There was a disconnect. Business and tech executives thought they could do a lot more with their data, but the learning curve was steep, tools were immature, and they faced considerable organizational challenges.

Financial Services business could utilize only 26% of data which were captured to drive business value [5]

Wealth management firms use artificial intelligence and data mining mechanism to invest in a better way, evaluate the wealth market, and gather customer specific behaviour. AI is also being used to instantly identify available opportunities that deliver appropriate and relevant services or products to clients. Due to the rapid growth of such technological advances, arises the establishment of better crime detection mechanisms, automated chatbots, compliance handlers, and more.

With the incorporation of artificial intelligence and asset management, especially for firms which are highly investing in cyber-security, companies could analyse the amount of sensitive data. AI systems could be optimised across multiple data centres and servers to ensure high-level blockchain security and crime detection measures. The wealth management companies are becoming increasingly alert to the risk of cyber crimes. The potential downfalls due to such threats make most large entities apply artificial intelligent services to identify and evade risks happening out of transactions made over the digital dimension. Most asset management sectors incorporate artificial intelligence into their research & development. In wealth management, decisions form a crucial part. Artificial intelligence could thus help managers make effective decisions for their clients by automatically research troves of data in collaboration with quantum computing and providing the best results each time.

C. Predictive Analytics

Over the last decade, the Wealth Management industry has shifted away to a more holistic approach with investment managers leveraging techniques like predictive analytics as an early warning system for asset risk or even to generate investment ideas. Asset Managers, thus, are able to anticipate demand, predict and manage investor or asset attrition, predict life events and expose the best opportunities for financial investment. Predictive Analytics lets wealth managers have better visibility and insights into their specific book of business, along with a holistic view across the organization. It enables transparency, benchmarking and intelligence apart from improving business economics by identifying and remediating hidden pricing inefficiencies. Furthermore, it facilitates the creation of easy-to-interpret, customizable and interactive charts for better decision-making.

D. Robo-Advisor

The increase of automated robo-advisors has also become an emerging trend in wealth technology. The robo-advisor industry is growing, with various companies already managing more than \$2 billion dollars in property. Useful investment software allows robo-advisors to offer clients with low account minimums.

Using algorithms and some customer information, robo advisors make recommendations about financial allocations and investments and, in some cases, make the transactions on the customer's behalf.

An automated advisory platform's first task is to identify client needs and vector those clients into the appropriate advice delivery channel. But, the platform can go much deeper than that. By taking into account a client's demographic profile, risk tolerance, investment preferences and other factors, the advisor and the algorithm can work together to design, implement and maintain the portfolio. Advisors also can use data mining to help them understand a client's overall assets and liabilities, far more accurately than before. Armed with that data, the advisor and the software can work to optimize the portfolio through targeted portfolio construction and advanced risk management techniques. The more advanced platforms with artificial intelligence can analyze a client's behavioral profile and predict life events and potential attrition, then suggest ways for the advisor to handle such events. The platform may even be able to identify potential areas for new product development based on client needs and activities.

E. Virtual reality

A key challenge facing many Wealth Managers and investors today is that the ongoing advisory experience focuses on communicating investment returns rather than really engaging wealth managers and investors. Creating the client's financial journey based on financial scenarios, risk analysis, and goals, a VR-simulated journey into the impact of investment decisions can help Wealth Managers connect with their end-users. Furthermore, VR's focus on gamifying the investment

experience ensures investors experience the benefits of disciplined investing with an advisor. The interactive storytelling and immersive experience that VR brings enhances user experience and facilitates greater client engagement. Integrated analytics and ease of navigation through current holdings helps calculate an accurate alignment of end goals

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