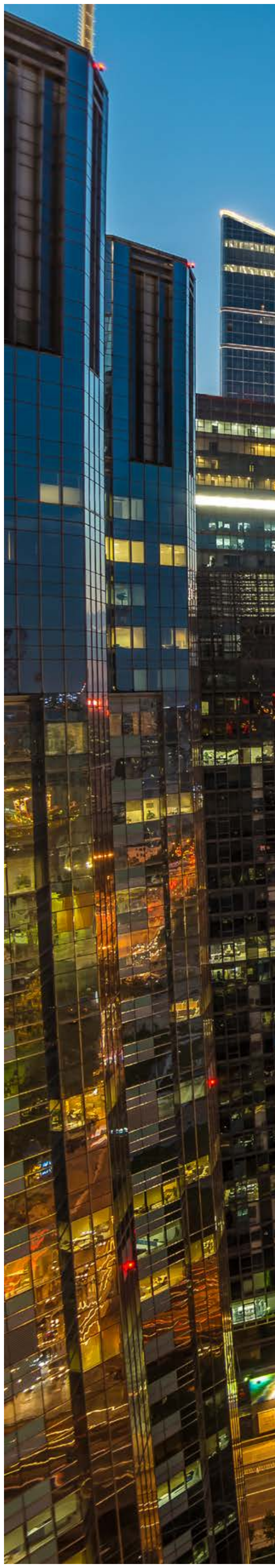
Digital assets

Unclaimed territory

The Future of Asia Wealth Management Series

accenture

Contents



Summary

↗ Digital assets are a top-five asset class for investors in Asia

On average, affluent investors in Asia allocate seven percent of their portfolio to digital assets—more than forex, commodities or collectibles. While younger investors are more exposed to digital assets (cryptocurrencies, stablecoins, crypto funds, security tokens and asset-backed tokens), the trend is largely consistent across markets, wealth bands and genders.

↗ They are likely to become far more popular

Currently, 52 percent of affluent investors in Asia hold digital assets of some sort. Accenture's research indicates this could reach 73 percent by the end of 2022.

↗ For wealth management firms, digital assets are a US$54bn revenue opportunity[1]—that most are ignoring

Transaction fees represent US$40bn of this potential revenue pool, with the rest shared equally between advisory fees and custody fees. Yet Accenture's research reveals that two-thirds of wealth management firms in Asia have no plans to offer any form of digital asset proposition. Most of those that do are targeting the relatively small US$7bn custody element only.

↗ To fill this professional advisory void, clients are turning to unregulated peer-to-peer forums

This lack of engagement by wealth management firms means many investors are seeking advice about digital assets on unregulated forums, including peer-to-peer advice on social media. Yet clients—and their relationship managers (RMs)—want firms to provide more support in the digital asset space.

↗ Wealth management firms are holding back for various reasons

Among firms' barriers to action are a lack of belief in digital assets, a wait-and-see mindset, and—given that launching a digital assets proposition is operationally complex—choosing to prioritize other initiatives.

↗ Forward-thinking firms should give clients and RMs what they need

Cryptocurrencies are just one of a range of digital assets that clients want their firms to support. On the service side, while custody support is important, they want their firms to go further and offer an advisory-led proposition that includes all these digital asset types. For their part, RMs say firms can help to overcome their client-hesitancy by providing more insight and content.

↗ Digital assets represent a rare, clear industry white space with significant business opportunity

There is no excuse for firms to lack a strategy and plan to enter this space. To succeed, firms should first ask themselves questions in five key areas that could help shape their digital assets proposition: clients; products and services; competition; value-chain ownership; and regulatory constraints.

↗ Those that take the plunge typically select an E2E ecosystem or modular adoption

Having answered the questions in those five areas, most firms use one of two archetypes: an end-to-end (E2E) ecosystem or modular adoption. There is no one "best" solution, and each has advantages and disadvantages.

↗ Although barriers exist, these can—and must—be overcome

While many firms are hesitant to enter the digital assets space, and for a range of reasons, their competitors have shown that success is possible. Barriers to client adoption, like price volatility and the safekeeping of assets, can be overcome—and indeed they need to be, because clients and RMs want a digital asset proposition. Firms that do not act risk being left behind.

About the research

This report is based on original research conducted by Accenture, as well as the authors' expertise in relevant areas. The research included:

Accenture's Asia Affluent Investor Survey, Q1 2022
A survey of more than 3,200 clients across eight Asian markets: China (mainland), China (Hong Kong SAR), India, Indonesia, Japan, Malaysia, Singapore and Thailand. Some 40 percent of respondents were affluent (with investable assets of US$100k–1m)[2] while 60 percent fell within the high-net-worth (HNW) or ultra-HNW stratum (with household assets above US$1m). The survey was conducted in December 2021 and January 2022.

Accenture's Asia Relationship Manager Survey, Q1 2022
A survey of 550 relationship managers at private banks, wealth firms, retail banks and independent financial advisors across the same eight markets. The survey was conducted in December 2021 and January 2022.

Accenture's Asia CXO Industry Benchmark Survey, Q1 2022
Accenture conducted 21 interviews with senior executives (CXOs) of wealth firms operating across Asia. Most interviewees were the operating head of the wealth business for a region or market, or the head of a key business line such as strategy or operations. A list of participating firms can be found in the Acknowledgements section of the report.

Accenture worked with Phronesis Partners to conduct the Asia Affluent Investor Survey and the Asia Relationship Manager Survey.

Lastly, in preparing this report, Accenture sought advice and input from an advisory board of industry leaders from across Asia. While Accenture is solely responsible for all analysis and commentary, the advisory board's guidance was tremendously valuable, and Accenture would like to take this opportunity to thank them for their insights and wisdom.

Use of Flags

Flags are used to represent the countries included in this report.
Below is a simple reference key for each country and their corresponding flag.

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India	Thailand	Malaysia	Japan

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Flags denote the base location of each member.

Digital assets: From niche to mainstream

For many people, the term "digital asset" is synonymous with Bitcoin, the volatile digital currency. While Bitcoin is a well-known part of this investing asset class, it is just one in a range of five types of digital assets:

1. Cryptocurrencies—like Bitcoin, Ethereum and Solana, these free-float against national currencies.

2. Stablecoins—price-stable, digital assets that are backed either by underlying assets, such as fiat, commodities or over-collateralized cryptocurrencies, or that are controlled by algorithms. Examples include Tether and USD Coin.

3. Crypto investment funds—these include open-ended funds, ETFs and hedge funds, which provide portfolios of cryptocurrencies under passive tracking or active trading strategies.

4. Security tokens—these are tokenized forms of underlying assets that have a value, such as bonds, stocks, private equity and funds, and that are regulated by securities or capital markets regulators across jurisdictions.

5. Asset-backed tokens—these represent a fractional ownership of underlying physical assets like real estate, collectibles or artefacts, or non-physical assets in the form of non-fungible tokens (NFTs).

In recent years, digital assets have become a mainstream investable proposition. Not surprisingly, affluent clients in Asia are looking to gain exposure to them—should it be permitted—in a manner that befits their wealth goals and ambitions. While this asset class is more attractive to younger investors, who have higher allocations of digital assets, Accenture's research shows that the phenomenon reaches all wealth bands and demographics.

Central to the desire for increased exposure is the phenomenal growth of digital assets: in the year to November 2021, the market capitalization of a range of digital assets—predominantly cryptocurrencies and stablecoins—rose about five-fold to nearly US$2.6trn.[4]

NFT sales values also skyrocketed, reaching US$41bn in 2021,[5] and saw major corporates enter—such as Visa's US$150k purchase of a CryptoPunk NFT.[6]

Despite the subsequent fall in the cryptocurrency market capitalization to about US$2trn in late April 2022, digital assets will likely still constitute a large portion of investors' portfolios.

Indeed, digital assets have become a top-five holding for affluent investors in Asia, behind only equities, fixed income, cash and real estate (see Figure 1).

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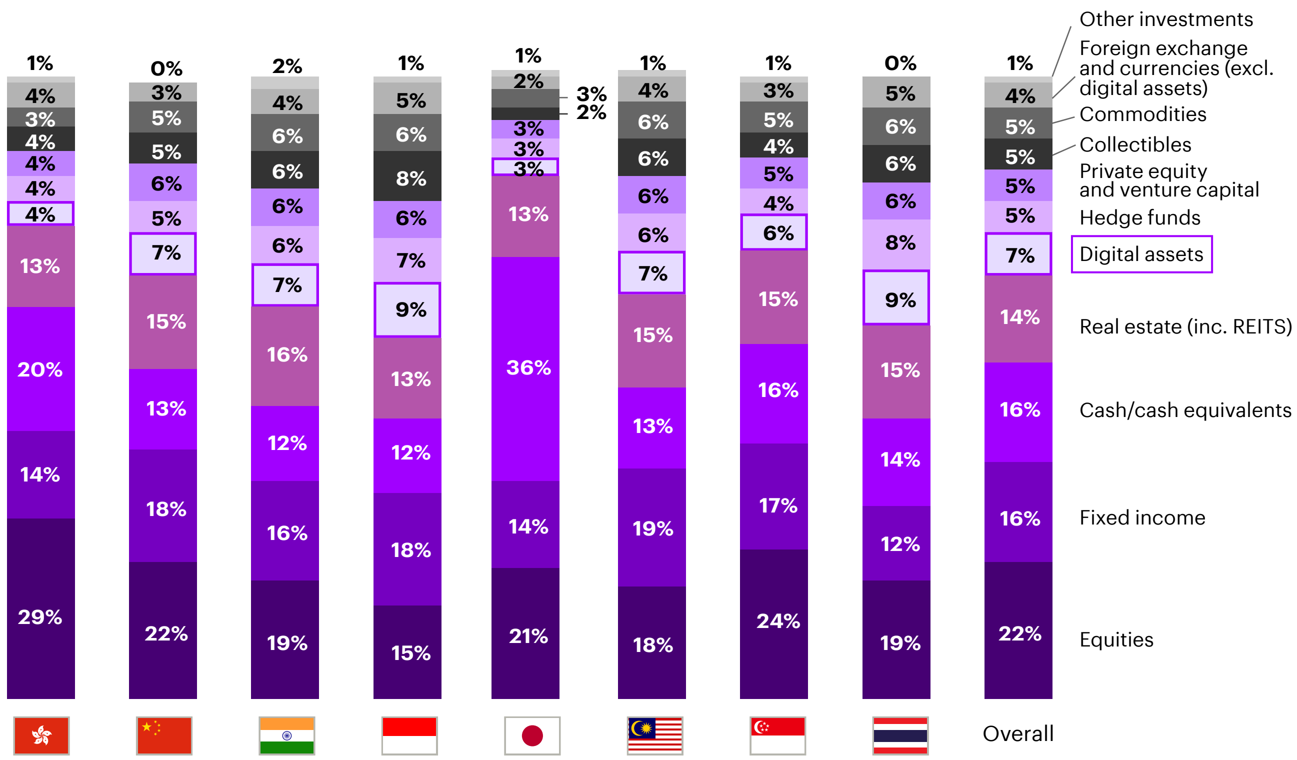
Figure 1. Current percentage allocation of investable financial wealth across asset classes

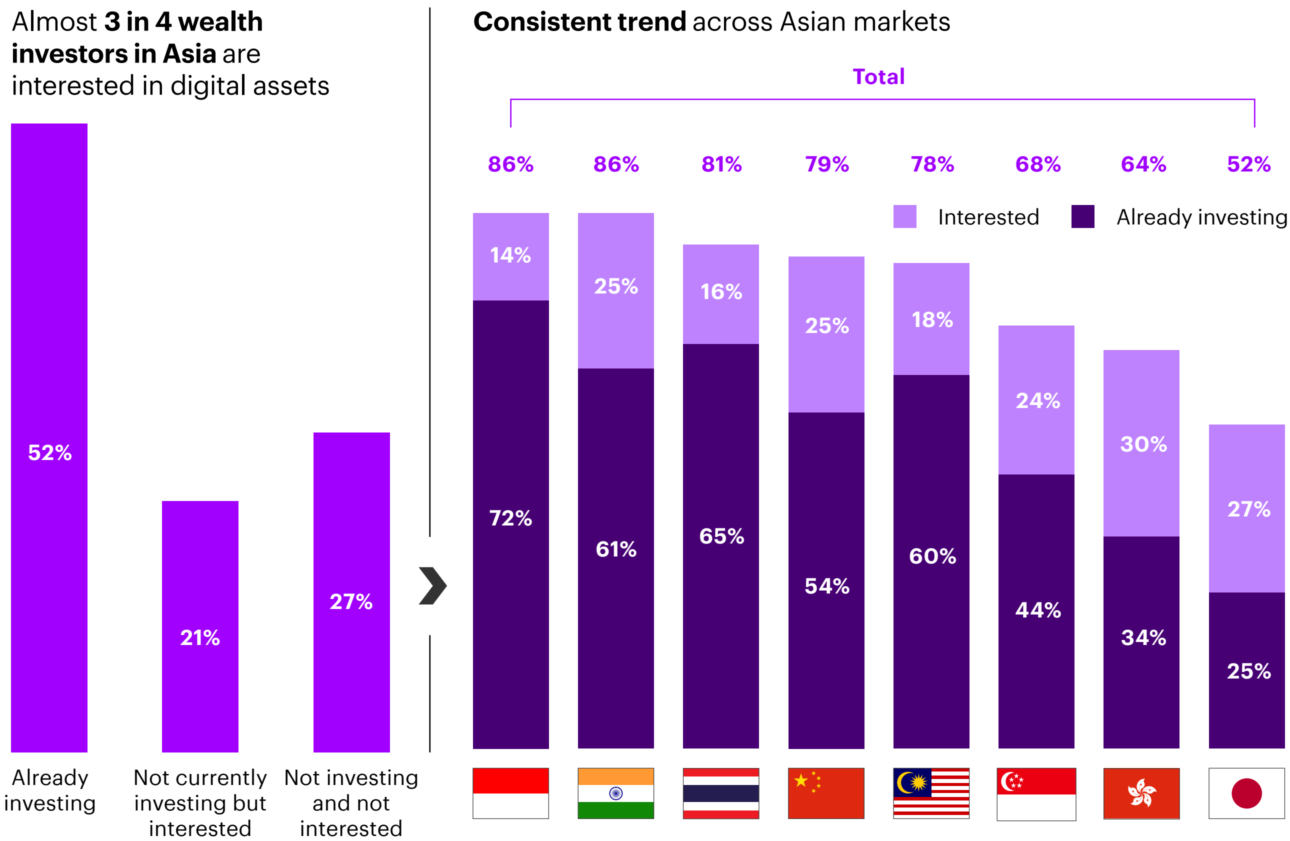


Source: Accenture's Asia Affluent Investor Survey, Q1 2022.
Question asked: We are particularly interested in how you have invested your money. What percentage does each of these asset classes approximately represent in your current investible financial wealth (excl. primary residence)? (Figures may not sum due to rounding.)

The underlying data show some interesting variances: Younger affluent investors in Asia have more than twice the allocation of their older peers, for instance, while female investors hold a slightly higher proportion than males (7.2 percent versus 6.4 percent). Our research also found that wealthier investors invest more in digital assets, with 8.5 percent of assets allocated this way for those worth more than US$10m compared with 6.1 percent for the lowest wealth band. On a market basis, Japan and China (Hong Kong SAR) have the lowest allocation at three percent and four percent respectively.

In other words, the demand for digital assets cuts across all wealth and demographic brackets. Most importantly for wealth management firms, we also found that the proportion of affluent investors in Asia who will hold digital assets could rise from 52 percent currently to 73 percent by the end of 2022. This trend is broadly apparent in of the region's markets (see Figure 2).

Figure 2. Digital asset investment is set to soar in 2022, reaching 73 percent penetration



Source: Accenture's Asia Affluent Investor Survey, Q1 2022.
Questions asked: We are particularly interested in how you have invested your money.
What percentage does each of these asset classes approximately represent in your current investable financial wealth (excl. primary residence)? Will you consider investing in digital assets in the next 12 months?
(Figures may not sum due to rounding.)

A largely untapped, US$54bn revenue opportunity

In short, digital assets are an emerging asset class that presents a rare instance of uncultivated ground in the wealth management industry, and one with the potential for a bumper yield in the coming years. That brings us to perhaps the most surprising finding—even though investor interest in digital assets is high and rising, the majority of wealth management firms in Asia currently have no plans to target the asset class.

The rewards on offer make this doubly surprising—Accenture research across six Asian markets shows transaction fees on digital assets represent a potential US$40bn revenue pool, with advisory and custody fees worth another US$7bn each (see Figure 3).

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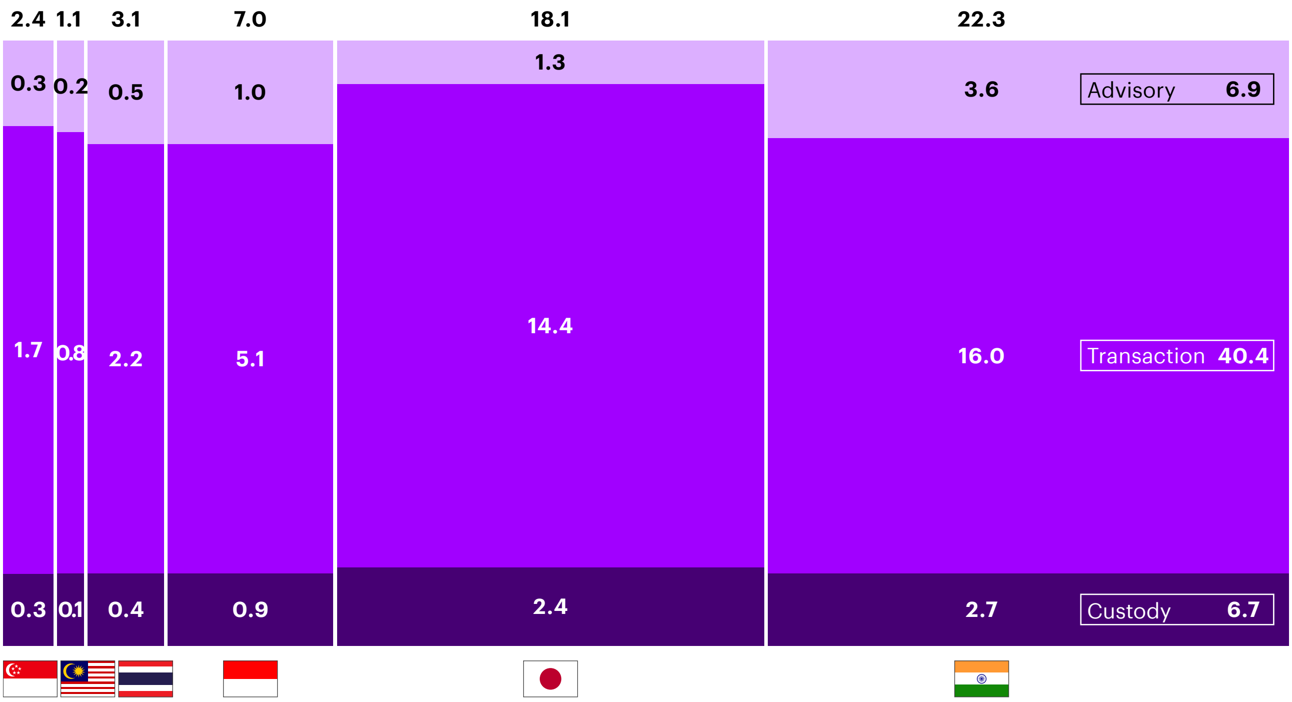
Figure 3. The digital assets wealth management revenue pool in selected Asian markets, 2022, US$bn



Source: Accenture Analysis, 2022. Note that China (mainland) and China (Hong Kong SAR) were excluded for regulatory feasibility reasons, given bans on cryptocurrency. Note: Potential revenue pool estimated in Q1 2022 for the full year.
(Figures may not sum due to rounding.)

While the bulk of the potential revenues (about US$40bn) are in India and Japan, the Southeast Asian nations—Indonesia, Malaysia, Singapore and Thailand—have a sizeable, combined potential revenue pool of more than US$13bn. Despite this, the opportunities are going to others, with non-bank liquidity providers, aggregators and brokerages like Gemini, FTX and Coinhako taking advantage of wealth management firms' absence.

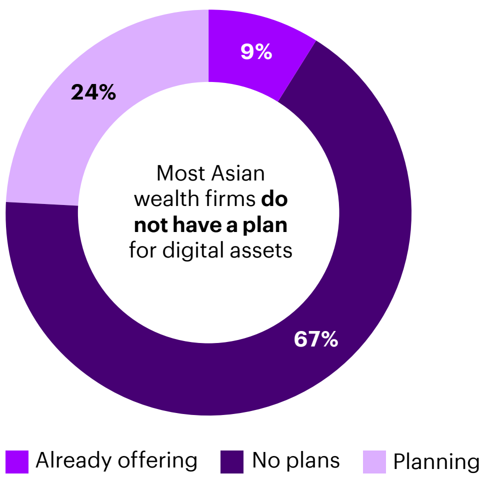
That absence looks likely to continue—two-thirds of the C-suite executives we surveyed say they are not planning any initiatives related to digital assets. And, even among the 9 percent that have such plans, most are targeting custody (see Figure 4). Advisory is a lower priority, while to date hardly any firms at all are targeting transactions.

Given the opportunities, why this reluctance? The reasons vary, but strategic and business value concerns are central.

"I don't think digital assets are a very profitable business," one executive says. "It may be possible to use it in online securities for mass rather than for the wealthy. At present, we are focusing on accumulating an understanding of the latest technologies, and we must consider how to apply them to our business."

Another executive says their firm has adopted a "wait and see" approach, adding that while they realize that they cannot ignore digital assets, they do not want to lead. A third says digital assets are simply not a priority —they are, the executive states, "a complex topic given regulatory and operating model factors, so we have decided to focus on other priorities of more urgency".

Figure 4. Most wealth management firms in Asia are not focused on digital assets



Initiative Focus (where yes/planned)	Proposition Focus
Custody	High
Advisory	Medium
Transaction	Low
Unknown (Planning)	High

Source: Accenture's Asia CXO Industry Benchmark Survey, Q1 2022
Questions asked: Does your firm currently, or does it plan to, have initiatives that focus on digital assets? If so, which services is it targeting?

Linked to this is the fact that building a digital assets proposition requires overcoming several challenges, including:

- Regulatory maturity variances across markets.
- The need to redesign or extend the advisory process.
- Operational constraints.

Take the first. In many countries, **regulatory frameworks for digital assets are still maturing**, while some—like China—have banned cryptocurrencies outright.[7] In addition, legal and compliance teams often lack sufficient understanding of digital assets, which means firms face difficulties in terms of limiting liability in the event of IT security incidents, fraud or even poor portfolio performance (though insurance can protect against the consequences of cyber-attacks and operational errors).

Also important is the practical implementation of the regulations that do exist. In many markets, regulators are unable to tell banks how to apply the existing rules to digital assets. As a result, firms need to some extent to guess how the regulations apply to them, and most operate in a grey area under an exemption.

Additionally, firms need to review their existing processes in areas like know-your-customer (KYC), customer due diligence (CDD) and anti-money-laundering (AML) so that they can accept clients that have digital assets as a source of wealth. Only in this way can firms understand the history of the tokens that a client transfers when they are onboarded, and be satisfied that those transferred tokens are not, for instance, stolen or obtained via a sanctioned country.

One private banking executive we spoke to agreed that the issue of regulation and the operational complexity associated with it is "a key challenge".

"For instance, China is a key private banking market but has banned crypto—so we need to put in controls to ensure these clients are not holding any crypto assets with us," the executive noted.

Further compounding the issue are internal policies, often as a by-product of regulatory concerns with offering any form of digital-asset service. One executive noted that, "we have a blanket ban on discussing or even onboarding clients with crypto as a source of wealth".

The second challenge is how to **redesign or extend the advisory process** to meet the specific requirements associated with digital assets—for example: assessing the suitability of digital assets for individual clients; segmenting customers; conducting ongoing market research and developing in-house views; and training relationship managers (RMs) in this investing space.

Alongside this is the price volatility inherent to many digital assets: The price of Bitcoin, for instance, started 2021 at around US$29,000 before peaking at US$69,000 in November of that year. At the time of writing in late April 2022, it had fallen back to US$42,000. The inherent volatility of many digital assets means wealth management firms need to overhaul their traditional risk profiling and put in place thorough stress-testing.

As Sacha Walker, Head of Strategy and Business Operations APAC at Julius Baer, puts it, delivering the firm's true north star of advisory would require "a full redesign of the advisory process".

"For example, we would need to be able to provide an informed view on key crypto coins, which requires specialized research capabilities," he says. "In addition, we are currently exploring a compliant offering for suitable clients. This entails educating and training both relationship managers and clients on the risks, suitability and mechanics of digital assets."

The third challenge is to overcome **operational constraints**, which may require a costly overhaul of firms' wealth management platforms as their existing versions lack the capabilities necessary to process digital assets seamlessly. Alternatively, they could opt to go through a potentially lengthy process to set up a new legal entity and obtain licenses to support a business partially siloed from the core operations.

While these are not insignificant challenges, they can be overcome, and firms that do so will position themselves for a future in which digital assets are set to increase in importance for investors.

In the meantime, though, two-thirds of wealth management firms in Asia lack plans to offer any form of digital asset proposition. David Wilson, Principal Director, Growth Markets Wealth Management Lead, Accenture, says this "pushes many clients to unregulated peer-to-peer advice forums for advisory".

"More importantly, it exposes a significant strategic gap that other firms can exploit —especially given the interest among next-generation clients who will inherit," says Wilson.

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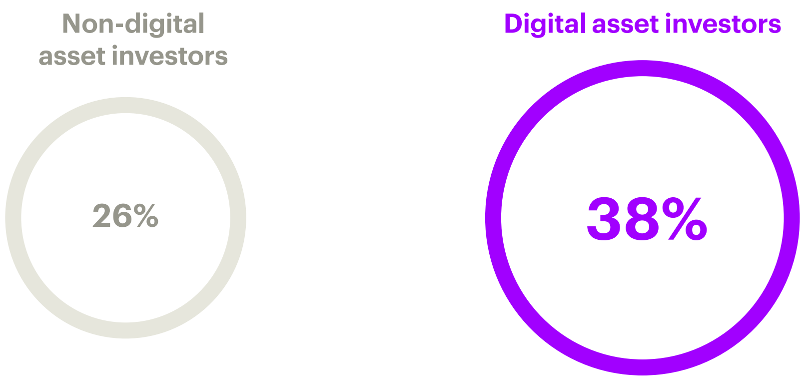
The lack of advisory offerings from wealth management firms means 38 percent of investors holding digital assets currently use online forums and social media to glean investment advice—a far higher proportion than the 26 percent of investors who hold no digital assets and who use such sources (see Figure 5).

In the long run, this approach is likely to lead to sub-optimal outcomes, not least because such sources are unregulated, usually lack accountability, often offer poor advice, could be fronts for hidden agendas like pump-and-dump schemes, and tend to drive herd behavior.

Figure 5. Investors using social media and online peer-to-peer advice forums

Investors who have used online peer-to-peer forums for investment advice



Source: Accenture's Asia Affluent Investor Survey, Q1 2022
Question asked: In the last year, have you used Reddit, social media influencers or other peer-to-peer online platforms to get investment advice?

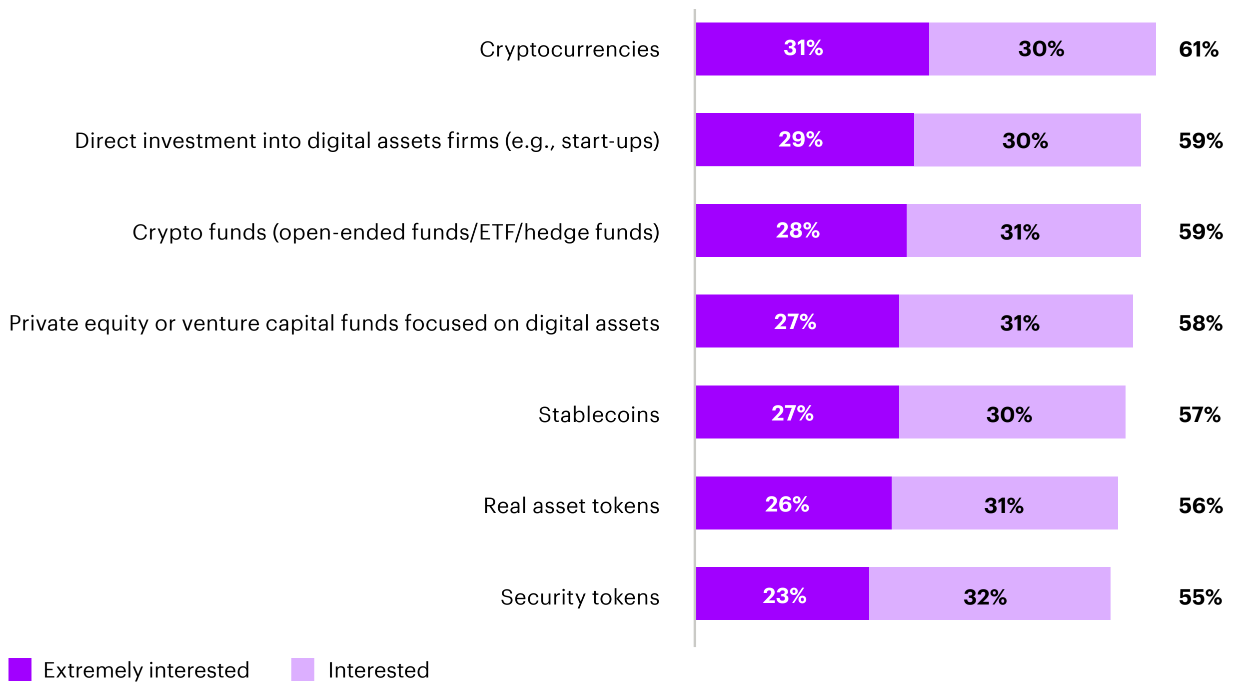
Capturing the revenue opportunity

Wealth management firms looking to capture a share of the multi-billion-dollar revenue opportunity presented by digital assets need to address two crucial—and related—gaps:

1. **Meeting clients' demands for broad-based digital-asset advice.**
2. **Equipping RMs with the content that they need to serve those clients.**

That raises the question: What do clients want? First and foremost, our research shows that clients are not looking solely for cryptocurrencies but want exposure to all forms of digital assets (see Figure 6).

Figure 6. Client demand for all forms of digital assets is high

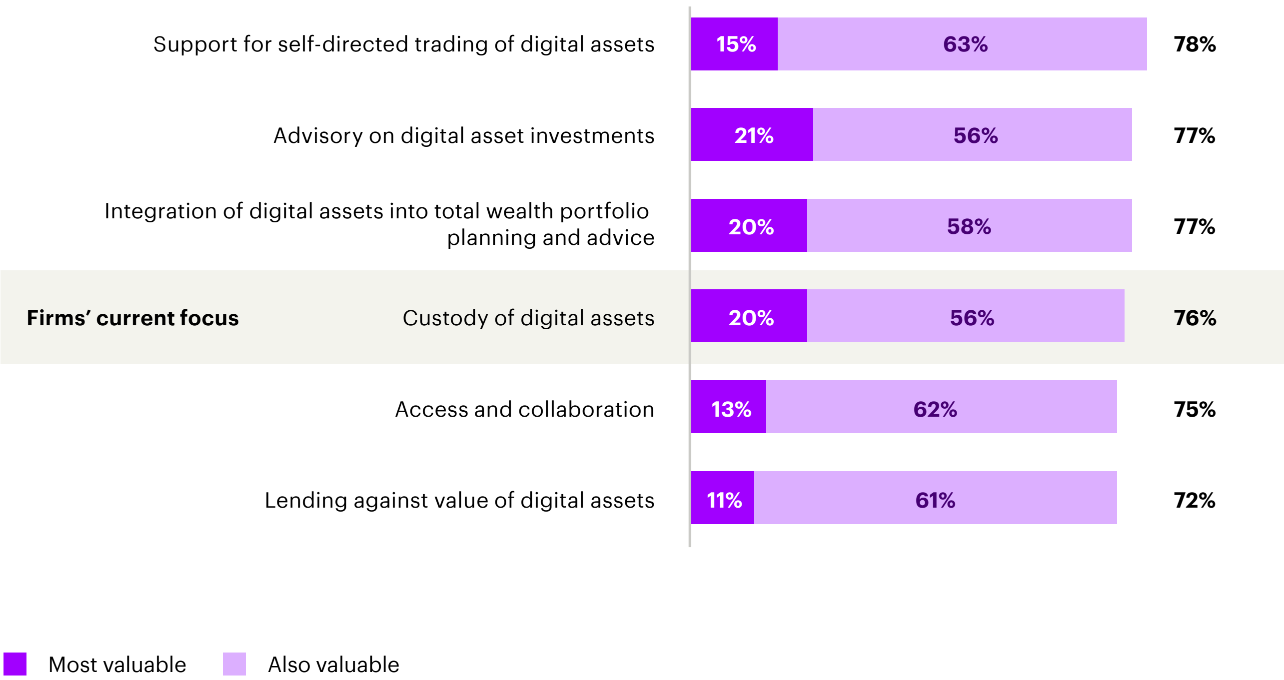


Source: Accenture's Asia Affluent Investor Survey, Q1 2022.
Question asked: Please rate your interest in digital-asset products or entities.
(Figures may not sum due to rounding.)

We also found that client demand for digital assets is fairly consistent across age, wealth bracket and markets, and that although cryptocurrencies lead in terms of client interest (except in China, where regulatory action hampers investing in cryptocurrencies), the demand for other digital assets is strong. For their part, investors in higher wealth bands (US$5-10m and US$10m+) ranked direct investment or venture capital opportunities as most important.

However, customers seeking exposure to this range of digital assets need assistance from their wealth management providers. Most important, customers say, is an advisory-led approach to investments (see Figure 7), with demand for this highest among investors older than 50. Other in-demand services include integrating digital assets into the overall wealth portfolio planning and advice offering, and providing custody for digital assets.

Figure 7. Which digital-asset services do clients want?



Source: Accenture's Asia Affluent Investor Survey, Q1 2022.
Question asked: Which services for digital asset investment are/would be most valued if provided by your primary wealth management provider? (Figures may not sum due to rounding.)

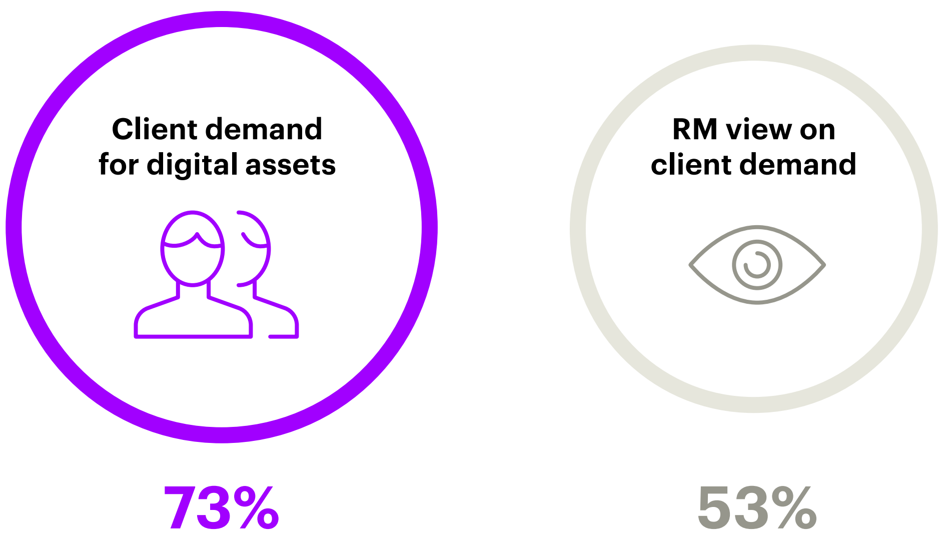
Once again, we found client demand for advisory was consistent across age, wealth brackets and markets, with no major differences between markets. When it came to wealth brackets, our research showed the demand for access and collaboration opportunities was highest for investors in the US$10m+ band.

The people at the center of meeting these demands are the RMs. Our research found that, although RMs know their clients want more exposure to digital assets, they significantly underestimate the level of demand—while nearly three-quarters of clients consider to be invested in digital assets by the end of 2022, RMs believe only around half of their clients feel this way (see Figure 8).

In other words, though RMs recognize where they are falling short in terms of serving their clients' digital asset needs (as we shall see shortly), even they have not yet fully grasped the scale of interest in digital assets. We found this reality gap holds true for RMs across most markets in Asia.

> While nearly three-quarters of clients want to be invested in digital assets by the end of 2022, RMs believe only around half of their clients feel this way.

Figure 8. Client demand for digital assets versus relationship manager perceptions



Source: Accenture's Asia Relationship Manager Survey, Q1 2022 and Accenture's Asia Affluent Investor Survey, Q1 2022.
Questions asked: Investors: Will you consider investing in digital assets in the next 12 months?
RMs: In general, will your clients consider investing in digital assets in the next 12 months?

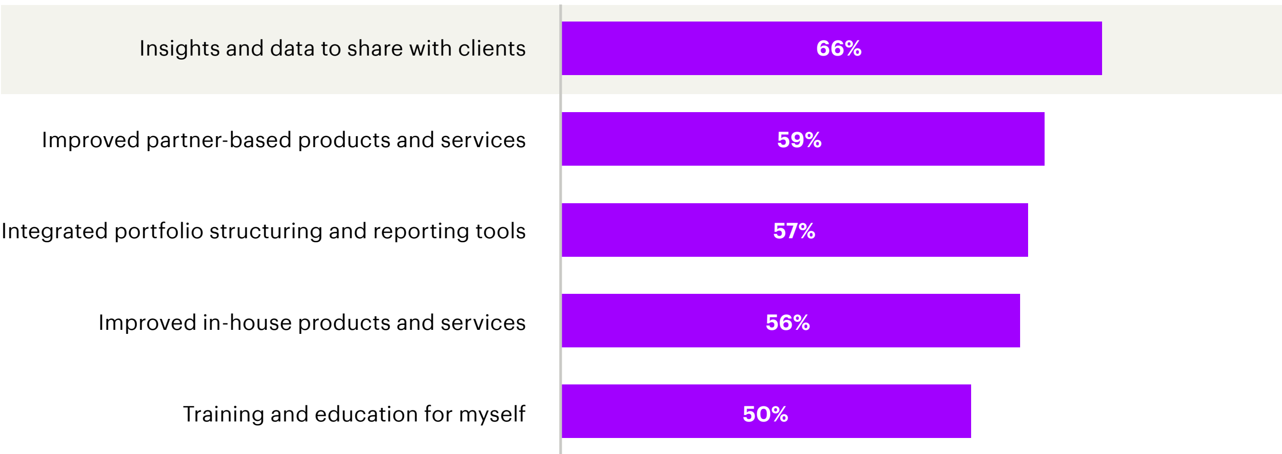
Interestingly, we also found that older RMs are more attuned to their clients' digital asset demands, while RMs at the largest firms (more than US$500bn AUM) are the least attuned—with just 44 percent believing their clients would be interested in the next 12 months. Part of the reason may be that larger firms have often been more hesitant to discuss digital assets.

Knowing what clients want, however, does not mean RMs can easily deliver on those advisory needs. But RMs do understand where they are falling short —and, overwhelmingly, they want wealth management firms to offer them more support so they can meet clients' needs to invest appropriately in digital assets. Leading the list of "must-haves", regardless of the size of the firm, are insights and data for clients (see Figure 9).

Additionally, half or more of the RMs surveyed identified other services and tools that firms should provide so they can better engage with clients in an advisory capacity. These were improved partner-based and in-house products and services, integrated portfolio structuring and reporting tools, and training and education for RMs.

A deeper dive into the data showed that younger RMs are more interested in better insights and data, while older RMs seek better partner-based products and services. Our research also found that these RM trends held for all markets surveyed, with the exception of Thailand where training and education ranked higher than for other markets.

Figure 9. Relationship managers say their greatest need is for more shareable knowledge



Source: Accenture's Asia Relationship Manager Survey, Q1 2022
Question asked: What support do you need to be able to meet clients' needs for digital assets investing?

How to move ahead in the digital asset space

What our research clearly shows is that wealth management firms and private banks should look to provide their clients with digital asset propositions. Most of their clients want it today, more will want it tomorrow, their RMs are keen to assist, and the revenue potential could be significant.

Some firms already have, but the majority, as noted, have not. Yet whether wealth management firms are looking to start their digital asset journey or whether they are among the minority that have a digital asset proposition and wish to scale it, there are two key dimensions they need to consider.

The first is **customer adoption**. Specifically, firms should determine how to effectively address the key concerns their clients have when engaging with digital asset propositions, and how to differentiate themselves from existing fintech offerings.

The second is to examine their **strategy and operating model** to decide which approach—typically either an end-to-end ecosystem or modular adoption—would position the firm best in terms of its strategic goals for a digital assets proposition.

A. Customer adoption

If firms are to drive customer adoption of digital assets, they would need to address their customers' concerns. Those concerns, customers told us, are high price volatility (cited by 39 percent of customers), lack of safe custody (38 percent), inadequate personal knowledge of digital assets (35 percent) and an unwillingness or inability on the part of firms and RMs to provide quality advice (28 percent).

It stands to reason that the firms that address these concerns most effectively will be best positioned to succeed with their digital assets proposition. This starts by positioning customer concerns in four categories:

- Portfolio construction.
- Safety and security of the digital asset proposition.
- Customer education.
- RM and staff enablement.

When it comes to digital assets, volatility fears are at the heart of **portfolio construction**. Customers want to know how they can invest in digital assets within a diversified portfolio that can mitigate some of the intrinsic volatility inherent to this asset class. Briefly, firms can allay those fears by adopting these considerations:

Portfolio advisory: Integrate digital assets as an asset class within the overall active portfolio advisory process.

Tactical asset allocation: Include digital asset exposure as part of the tactical asset allocation that meets customers' specific risk profiles and their investing knowledge and experience.

Crucially, firms would need to take a position on the "what" and "when" of portfolio construction—for example, classifying supported digital assets by liquidity, risk and time horizon. As an illustration, it is largely accepted that the markets for crypto-related assets and NFTs are more liquid and hence usually more suitable for short-term investing, while asset-backed tokens like real estate may require a longer investing horizon.

The second category relates to the **safety and security** of the firm's digital asset proposition. This requires assuring customers that their investments in digital assets are as secure as those in other asset classes—for example, the safekeeping of the private keys needed to access their digital assets.

In resolving this, firms and private banks need first to decide on their approach: Should we build our own digital asset custody infrastructure (which is probably beyond most banks' capabilities as they lack both the experience and the time)? Or should we buy a solution from a vendor or partner with a third-party (a likelier option for most)?

Another issue for safety and security is to determine the control framework that will best enable firms to mitigate the risks associated with digital assets propositions. This should ideally draw on the frameworks already in use for other asset classes, and would tackle risks associated with, for example, spoofing, washing trades or price deviations. To that end, the control framework should cover the following categories:

Market/trading risks—for example, conduct or market abuse. This could be done via the use of trade monitoring, pre-trade checks, AML/CFT checks and best-execution algorithms.

Operational risks—for example, mismanagement of keys, third-party fraud and fat-finger errors. The solution could involve the implementation of outsourcing guidelines, operations workflows with four-eye checks, adhering to governance and policy rules for pre-on-chain transactions, and conducting token history checks.

Technology risks—these can be countered by applying guidelines for proper back-ups and the technological management of a digital assets platform.

> Wealth managers should look to provide digital asset propositions. Most of their clients want it today, more will want it tomorrow, their RMs are keen to assist, and the revenue potential is significant.

The third category—**customer education** —would see firms inform their clients on the potential risks and benefits of investing in digital assets and make them aware of options to get exposure to this asset class. Here firms and banks should:

- Consider the most suitable and effective content to educate customers on investing in digital assets, and the avenues available to give customers exposure to those assets.
- Revise their internal baselines by revisiting the knowledge and experience checks; in this way they can capture their clients' knowledge of and experience with digital assets.
- Aim to provide different solutions for digital asset exposure across the spectrum of clients' knowledge and experience.

The fourth category is to **enable RMs** so that these linchpins can deliver the digital asset advisory service that customers want. Success starts by asking how better tools, research, data and training can help staff to support customer conversations about digital assets.

Key considerations include research coverage on digital assets to provide regular insights into the digital asset space (as Standard Chartered began doing in late 2021, with in-depth reports on Bitcoin and Ethereum[8]), and internal training with sales quality thresholds and protocols designed specifically for digital assets.

B. Strategy and operating model

The second dimension in terms of moving ahead is for firms to create an operating model that would allow them to "test and learn" with digital asset propositions and that these can be scaled in future.

The first step is to articulate a strategy that will enable the firm to build a sustainable and scalable digital assets proposition. This requires investing time and energy to establish a digital assets capability group that can provide expertise in six key areas:

- Strategy and blueprint.
- Product, research and insights.
- Operating model and governance.
- Technology and partnerships.
- Training and communication.
- Regulatory and risk frameworks.

Area 1: Strategy and blueprint

While implementing changes in all six areas is essential, the process starts with asking the strategic questions that need to be answered upfront to guide how firms would shape their digital assets proposition.

In starting this journey, firms need to consider questions across five areas:

Clients: Which personas or segments are you targeting with your digital assets proposition? Potential personas include clients looking to diversify their portfolio, active traders and crypto-natives. The segments to consider include level of wealth, liquidity and demographics.

Products and services: Firms should decide which of a wide array of potential investment products and client services available in the digital assets space they will offer (see Figure 10). In addition, they should consider whether to offer services that enhance returns, including staking (generating passive income by using cryptocurrencies to support proof-of-stake network validations of new transactions) and yield farming (which includes lending digital assets to DeFi protocols to earn revenue).

Competition: Other players in this space include traditional banks and fintechs, which have already emerged to service the HNW and UHNW segments. Firms need to decide which strategic options could offer them a competitive advantage against these nimbler fintech players and against the traditional banks.

Value-chain ownership: It is crucial that firms decide which aspects of the value chain they wish to own and which they would deploy across an ecosystem. This requires assessing the plethora of digital assets service providers that operate in the market—from those offering a full end-to-end operating model to those that specialize in a single capability like brokerage or custody.

Regulatory constraints: Firms should identify and consider any regulatory constraints that might restrict their offering —keeping in mind that the regulatory landscape continues to evolve. It is worth noting that numerous jurisdictions have released preliminary requirements around licensing that could affect what firms are allowed to offer clients. Equally important is that firms analyze upfront what their existing license states they can and cannot offer clients.

Having asked and answered these five sets of questions, wealth management firms will be able to shape their future business model. Although there is no single "best" model for all, we have noted two archetypes that are of particular interest to many firms and banks.

Figure 10. Products and services that wealth management firms should consider[9]

Investment Products		Client Services			Digital Asset Services
Stablecoins and cryptocurrencies	Asset-backed tokens (e.g., NFTs)	Issuance	Advisory	Asset safekeeping	Staking
Security tokens	Indirect (e.g. funds/ derivatives)	Order execution	Margin lending	Transfers in and out	Yield farming

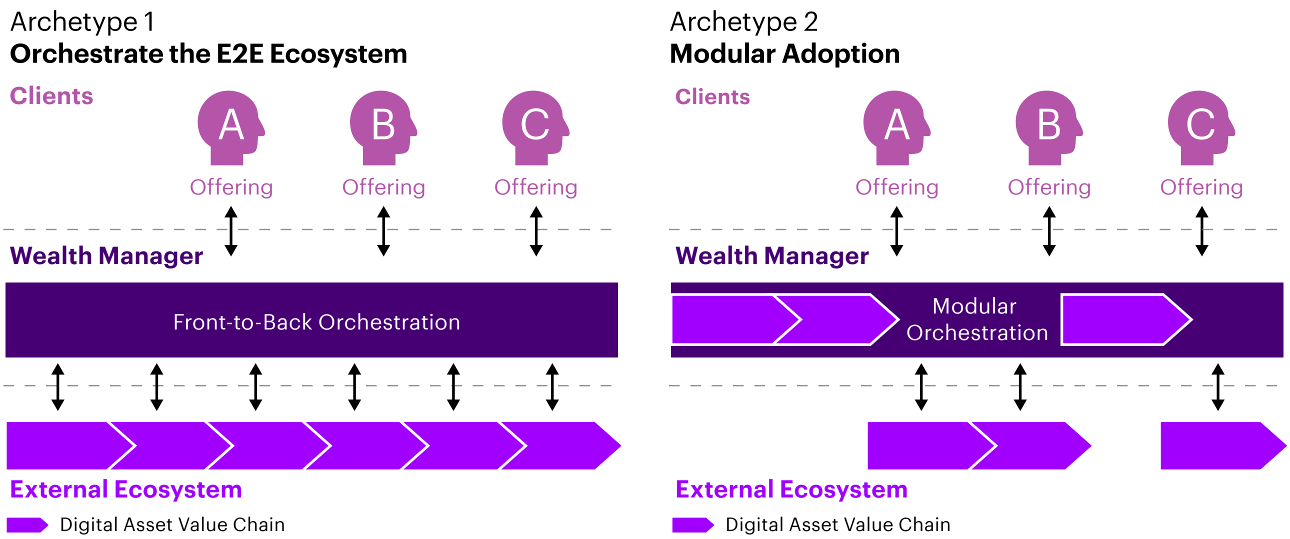
Source: Accenture Analysis, 2022

The first is to **orchestrate an end-to-end (E2E) ecosystem**. Given that most traditional finance institutions lack the in-house capabilities and knowledge to run a digital assets business, firms may choose to act as an orchestrator linking one or more partners in an ecosystem that can deliver the full value chain (although this would not include client-facing activities).

The second archetype is using **modular adoption** to complement their existing in-house activities. Combining in-house capabilities with an external ecosystem to close specialist gaps (like KYC, for instance) is a useful approach for banks and firms that wish to position themselves for a future in which distributed ledger technology (DLT) will become a significant part of the finance industry. Building or enhancing this in-house knowledge protects banks and firms from the risk that they might become overly dependent on other businesses.

Each approach has strengths and weaknesses which need to be considered. These include speed-to-market, control over the digital assets proposition, and future-proofing the business in a world where DLT and digital assets will become increasingly central (see Figure 11).

Figure 11. E2E ecosystem or modular adoption?



- Time to market may be incrementally faster **but** challenges with back-end integration cannot be underestimated
- Leverages the skills and knowledge of more experienced players **but** it cannot be assumed that this option is 100 percent operationally risk-free per se
- Allows new entrants to offer clients a digital asset proposition **but** does not allow any differentiation to other banks that use the same third parties

- Helps position the bank to be a part of a future where DLT and digital assets are a significant component of the financial industry **but** requires building up in-house staff skills and capabilities
- Freedom and control over the product and service roadmap, and operating model **but** comes at a cost and with increased time to market
- Reduces third-party risks and operational friction **but** requires effort to define and implement regulatory-compliant processes and controls

Source: Accenture Analysis, 2022

Areas 2-6

Once the firm has structured its strategy and blueprint, it can move on to the remaining five areas.

Area 2: Product, research and insights

Key points of focus here include the types of products and services on offer, the fees and commercial model used, and the customer and RM journey. On the research front this could start by building greater capability in key digital asset sub-classes as well as by incorporating chief investment office (CIO) views. Additionally, firms could determine how best to devise their passive-versus-active advisory split on the understanding that these approaches are not mutually exclusive but can be sequential.

Area 3: Operating model and governance

Analyzing the end-to-end process both for new and existing customers is a key point of focus, as is enabling staff to support customers through the process. A useful starting point is to define the target operating model to ensure that the digital asset proposition encompasses the right support model. Options could include a 24/7 approach, along with others that are deemed most appropriate.

Area 4: Technology and partnerships

Key focus points include determining the optimal technology stack that could support the digital assets proposition and assessing available platform options. An additional focus is whether stack components should be bank-owned or vendor-owned—with advantages and disadvantages to each. The best place to start is by conducting a capability assessment to assess the firm's target state capabilities, and then—with this target technology stack in mind—comparing its internal capabilities against those that are available from vendors.

Area 5: Training and communication

There are two key areas of focus: first, an impact assessment of key teams; second, devising suitable internal training and potential certification for customer-facing staff. Success here is about enabling staff —and that requires creating a training and communications plan that is targeted at staff across all relevant business areas: front-office, channels, IT, the contact center, and the regulatory compliance and risk teams.

Area 6: Regulatory and risk frameworks

For firms, the key focus is to conduct a regulatory assessment and produce a forward-looking view of potential changes in this space. This effort begins by drafting a holistic risk and regulatory framework that addresses key risks and challenges including external regulatory-facing demands and the firm's internal control framework.

Conclusion

The surest way to succeed across these two dimensions of customer adoption and enabling capabilities is to underpin efforts by building a culture of experimentation and rapid iteration, says Nicole Bodack, Managing Director, Capital Markets Industry Lead for Growth Markets and ASIAM, SEA, Accenture.

"We see successful banks building or augmenting their internal digital assets capability while focusing on a 'minimum viable product' digital assets proposition that allows the bank to test and learn with a limited set of clients and product offerings —and that also provides an opportunity for the bank's customers to educate themselves on digital assets possibilities," she says.

Most importantly, Bodack adds, wealth management firms and banks "should have a strategy and a plan, as client interest is too great to ignore".

It was this approach—a culture of moving early, supported by an iterative approach that used "test and learn" ways of working —that underpinned Singaporean bank DBS's efforts to launch its digital assets trading desk. The bank has already launched the desk for institutional and accredited investors, and plans to extend it to retail customers in 2022.[10]

The example of DBS is instructive, and other players in the wealth management and private banking sphere may follow its lead. They should. After all, although entering this space does require firms to overcome barriers to client adoption, such as price volatility and the safekeeping of assets, these can be overcome.

Not only can firms overcome these barriers, they should overcome them. Their clients want to invest in this fast-growing space and their RMs want to help those clients. Staying competitive would in many cases mean beginning this journey in the digital assets investment space. The best time to start that journey is now.

> **"We see successful banks building or augmenting their internal digital assets capability while focusing on a 'minimum viable product' digital assets proposition that allows the bank to test and learn."**

Nicole Bodack
Managing Director, Capital Markets Industry Lead for Growth Markets and ASIAM, SEA, Accenture

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BARCLAYS | Private Bank

Evonne Tan joined Barclays in March 2021 and is Head of Barclays Private Bank, Singapore. She has almost three decades of experience in the financial services industry with exposure to areas including foreign exchange sales and trading, corporate solutions structuring, asset management and private wealth management.

For the past 17 years, Evonne has worked in private wealth management, covering primarily UHNW families and their family offices. She advises UHNW clients on investment aspects including asset allocation, family governance, structured financing solutions and portfolio management. Before joining Barclays, Evonne was Market Team Head for the UHNW Singapore business at UBS Singapore.

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Having been with Julius Baer since 2006, Sacha Walker is currently based in Singapore where he is Head of Strategy and Business Operations APAC. He is responsible for the blueprint and implementation of the products, services and business technology strategy for Asia, and oversees the regional product marketing team as well as the trading and execution back-office team. Prior to this, he was Chief of Staff to the Julius Baer Group CEO and COO.

Before joining Julius Baer, Sacha worked at UBS and Credit Suisse, and was also an external management consultant.

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Alvin Lee is responsible for Maybank Group's wealth business across the private banking, mass affluent and emerging affluent segments. The wealth business spans eight countries and tops US$70bn in combined AUM.

Alvin has 30 years of banking experience across wealth management, corporate, consumer banking and treasury, with specializations in product and risk management, as well as in business development.

Prior to joining Maybank, Alvin worked at Burgan Bank in Kuwait as a consultant to the CEO, managing the bank's treasury function and its proprietary investment portfolio in fixed income, fund and private equity. He also spent 14 years with Citibank and four years with Barclays in London. He began his career at JP Morgan.

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Clark Wu joined CICC in 2004. He became the head of wealth management in 2017 and a Member of the CICC Management Committee in 2018.

In 2015, he led CICC's successful IPO in Hong Kong, raising US$900m – with the project named Best IPO of the Year in Hong Kong by IFR Asia.

Clark leads CICC Group's Wealth Management business, which provides wealth management services to clients from high net worth to the general public. With more than 6,000 employees and nearly RMB3trn of assets under custody, CICC Wealth Management is a pioneer in transforming the wealth management business for Chinese securities firms, and has been named Best Wealth Management Institution in China many times.

Prior to joining CICC, Clark worked at PricewaterhouseCoopers and Arthur Andersen. He has extensive experience in finance, accounting and taxation.

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Gary Harvey is CEO of St. James's Place Singapore and a seasoned leader in the insurance, investment and personal advisory sectors of Asia's financial services industry with in-depth experience at CEO and board director level. Gary has worked in the industry for more than 30 years, has been in Asia since 1995, and is a Singaporean citizen having lived in the city-state for two decades.

Gary is well known for his passion in improving professional standards in the financial advisory industry. He is also a Fellow of the Institute of Banking and Finance, Vice President of FPAS, and a regular contributor to the media on personal financial advisory matters.

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About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services—all powered by the world's largest network of Advanced Technology and Intelligent Operations centers. Our 674,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities. Visit us at **www.accenture.com**

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