



For Immediate Release

Hong Kong Private Wealth Management Industry Expects to Double AuM in Five Years, PWMA New Survey Finds

Hong Kong, 10 September 2018 – The growth outlook for the private wealth management industry in Hong Kong remains strong, with a majority of the firms surveyed in the Hong Kong Private Wealth Management Report 2018 anticipating the industry’s Assets under Management (AuM) to double over the next five years. The rapid growth underlines the greater need to invest in technology and talent to enable ongoing development of the industry to realise its potential, according to the report jointly published today by Private Wealth Management Association (“PWMA”) and KPMG China.

In its third year, the report aims to provide a view of the Hong Kong private wealth management industry landscape as well as its growth outlook and issues/challenges for the next five years.

Fuelled by the significant wealth creation in China, the 2018 report reveals that almost 80% of respondents agree China is the main driver of growth in the private wealth management industry, and that up to 49% of Hong Kong’s AUM could come from mainland China by 2023. Hong Kong is expected to benefit from its unique position as the traditional gateway to mainland China, while over 80% of respondents also highlight the Stock Connect as a key differentiator for Hong Kong.

Besides China, family offices and the next generation of clients are ranked as the second and third most important growth drivers for Hong Kong’s PWM industry going forward. Over 40% of respondents cited family offices as an increasingly important source of business, while attracting the next generation is identified as another growth area in the midst of generational shift and digital transformation.

Amy Lo, Chairman, Executive Committee of PWMA, said, “The Hong Kong private wealth management industry continues to expand this year, reaching US\$1 trillion in AuM according to recent figures from the Hong Kong Securities and Futures Commission. Taking advantage of this growth, however, requires a strategic approach toward seizing the opportunities as well as tackling the challenges ahead such as regulatory complexities, technological disruption and talent shortage.”

Other key findings of the Hong Kong Private Wealth Management Report 2018 include:

Technology is a key growth enabler

Without doubt, technology is transforming the private wealth management industry via enhanced efficiencies and staying relevant to the next generation of clients. While more than half (54%) of the survey respondents note that the industry's current digital capabilities are not meeting client needs, the industry plans to invest significantly in technologies and digital solutions in the next two years to address this issue, and to prepare for competition from new entrants.

Onboarding and regulation are top concerns

On the other hand, the challenges of onboarding and regulation are having a significant impact on industry costs and customer experience. In this year's report, respondents identified sales practices and suitability (100%), Know-Your-Client/Anti-Money Laundering (95%) and tax transparency (61%) as the regulatory areas where they are spending the most resources. According to the survey, the PWM industry is responding to this challenge by investing in processes and technologies to manage these issues.

Talent gap most critical in RMs and compliance and product specialists

The robust growth of the industry has led to a greater focus on talent recruitment and retention. Two-thirds (66%) of the survey respondents note a "limited talent pool" as the biggest supply-side constraint. While relationship managers (RMs) are considered to be the most critical talent gap (76%), the industry is also looking for compliance (53%) and product specialists (53%) to support RMs to drive growth and mitigate industry risks. Furthermore, in order to meet the demands of increasingly sophisticated customers including those from family offices and the growing popularity of discretionary asset management, the skillset of RMs will also need to evolve.

Paul McSheaffrey, Head of Banking and Capital Markets, Hong Kong, KPMG China, said "The report shows that respondents expect the industry's AUM to double over the next 5 years. To address this opportunity, wealth managers will need to think ahead to invest in line with key market trends, upgrade their technology platforms, and execute a long-term talent strategy"



Peter Stein, PWMA’s Managing Director, said, “In the coming years, the significant industry growth will fuel increasing demand for PWM professionals, leading to a greater focus on talent recruitment and development. On the talent supply side, the Pilot Apprenticeship Programme for Private Wealth Management, co-organised by the Hong Kong Monetary Authority and PWMA, continues to gain momentum and we are now gearing up to recruit the third class of students.”

The Hong Kong Private Wealth Management Report – now in its third year - is largely based on an online survey – in which 37 of the 45 member organisations of the PWMA responded – as well as 29 interviews with industry executives, family offices, other industry associations, regulators across Hong Kong and KPMG professionals from other global wealth management hubs. The report is available for download from:

<https://home.kpmg.com/cn/en/home/insights/2018/09/hong-kong-private-wealth-management-report-2018.html>

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About the Private Wealth Management Association

The Private Wealth Management Association is a Hong Kong-based voluntary association incorporated as a company limited by guarantee; it is separate from the Hong Kong Association of Banks. The main objectives of PWMA are to better position Hong Kong as the private wealth management hub in the region by promoting and encouraging the growth and development of the PWM industry in Hong Kong, to help maintain Hong Kong's status and competitiveness as a major financial centre, to provide a forum for members to discuss and exchange views on trends and challenges faced by the PWM industry and how to strategically position for these trends and challenges, to promote proper conduct, integrity and high standards of professional competence on the part of PWM practitioners, to provide industry representation and consultation in Hong Kong on PWM related matters, and to provide a channel for the private wealth management industry to maintain ongoing dialogue with governments, regulators, trade bodies and non- governmental organizations.

There are now 45 Full Corporate Members with a 10-member Executive Committee serving as the governing body of the PWMA. The Association currently accepts Full Corporate Membership only. For more information about the members of PWMA, please visit our website at:

<http://www.pwma.org.hk>

About KPMG China

KPMG China operates in 19 cities across China, with around 12,000 partners and staff in Beijing, Beijing Zhongguancun, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Wuhan, Xiamen, Xi’an, Hong Kong SAR and Macau SAR. With a single management structure across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG is a global network of professional services firms providing Audit, Tax and Advisory



services. We operate in 154 countries and territories and have 200,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG China was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong office can trace its origins to 1945. This early commitment to the China market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in the Chinese member firm’s appointment by some of China’s most prestigious companies.

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