



# FA Industry - Moving Onto Phase 2 Of Its Growth

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# Agenda

- Phase 1 of the FA Industry
- Singapore's Stockbroking Industry
  - Gaps and Opportunities
- Recent Efforts and Directions from the government and Monetary Authority of Singapore (MAS)
- Singapore's FA Industry - Moving Onto Phase 2
  - More broad-based investment advice
  - Greater Adoption of Digital Strategies
- The iFAST Wrap Platform
  - Empowering the right advisory model

# Phase 1 Of The Financial Advisory Industry (2002 - 2016)

# Phase 1 Of The FA Industry

- The Financial Advisory (FA) Industry emerged in 2002 with the enactment of the Financial Advisers Act in Oct 2002
- 2003 - 2007 saw rapid growth in the number of FA Firms and FA Representatives (Wealth Advisers)
- Post-2008 Global Financial Crisis, growth rates slowed down
- In Phase 1, Financial Advisers advise mainly on insurance and unit trusts
- From practically zero in 2002, Financial Advisers' market share for unit trust sales grew to an estimated 20% by 2007/2008

# Singapore's Stockbroking Industry (Gaps and Opportunities)

# Singapore's Stockbroking Industry

- Margins and profitability within the stockbroking industry have declined substantially in the last two decades
- However, the business model of some of the retail stockbrokers has not changed substantially
- There is still a lot of reliance on contra-trading by some retail stockbroking firms
- Contra-trading comes with some problems for both the industry and for consumers/investors
- Investors will increasingly be demanding alternative intermediary channels that will allow them to have the service and advisory models that they need

# What Investors Need For Long Term

- For over 80% of investors, investing profitably in stocks in the long run means having:
  - The right investment planning process;
  - The right investment time frame; and
  - The right stock-picking process which depends on fundamental research
- Intermediaries whose main business model is helping clients with medium- to long-term investment planning and risk management are needed
- Not just intermediaries who are essentially incentivised by trading or contra-trading



# Recent Efforts and Directions from the government and MAS

# Singapore's Evolving Landscape

- Historically, foreign multi-national corporations, and local banks and financial institutions, dominate Singapore's financial sector
- The government and MAS have in recent years increasingly recognised the need to support local home-grown companies a lot more
- MAS has also in recent times been putting more focus on encouraging Fintech innovation
- Based on the experience of most countries, innovation tends to be led by home-grown companies; recent efforts by authorities will be supportive for local financial players to play a bigger role in the wealth management industry

# MAS Consultation Paper In June 2017

- Provision of Digital Advisory Services
  - Consultation Paper from MAS titled “Provision of digital advisory services” was released on 7 June 2017
- 2 main points to be pointed out:
  - Point 1: MAS making it easier for financial advisers to adopt digital strategies and to help clients with portfolio rebalancing
  - Point 2: MAS making it easier of financial advisers to advise on a broader range of investment products, including stocks and bonds
- Dealing in stocks and bonds can in future be seen to be incidental to the FA’s main activity of advising on securities

# Singapore's FA Industry - Moving Onto Phase 2 (2017 Onwards)

# Phase 2 Of The FA Industry

- We believe that factors are now in place for forward-looking FA firms to move onto Phase 2 of growth
- In Phase 2, FA firms will be offering a broader range of investment planning services to individuals or families
  - The key investment products will be unit trusts, ETFs, bonds and stocks
  - A more fee-based model, rather than purely transaction-driven model, will be an important feature
- In Phase 2, FA firms will be embracing digital solutions and services a lot more
  - This will allow the FA firms to have the capabilities of a ‘mini-private bank’, but with a bigger emphasis on fee-based models
  - Digital strategies will enable the FA firms to deliver comprehensive investment planning services effectively to the mass affluent or even mass market

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# Phase 2 Of The FA Industry

- In Phase 2, there will be a bigger variety of business models offered by different FA firms
  - Financial planning, protection, investment planning services, fund management services
- The more forward looking FA firms will have more productive FA reps, with higher assets under advice per adviser. This means a more exciting and sustainable career

# The iFAST Wrap Platform - Empowering The Right Advisory Model

# The iFAST Wrap Account

- Investors increasingly want the advisers to be able to advise them across the whole range of investment asset classes (gambling instruments not needed)
  - Unit trusts, ETFs, bonds and stocks
- The iFAST Wrap Account will be one of the key infrastructure enabling that
- Launch of the stocks services in the iFAST Wrap Account will be on 14<sup>th</sup> July 2017
- Commissions on stocks in the Wrap Account can be as low as 0.075% for dealer-assisted transactions
- A number of the FA firms will be waiving the wrap fees on stock assets for the first six to 12 months

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Thank you.

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