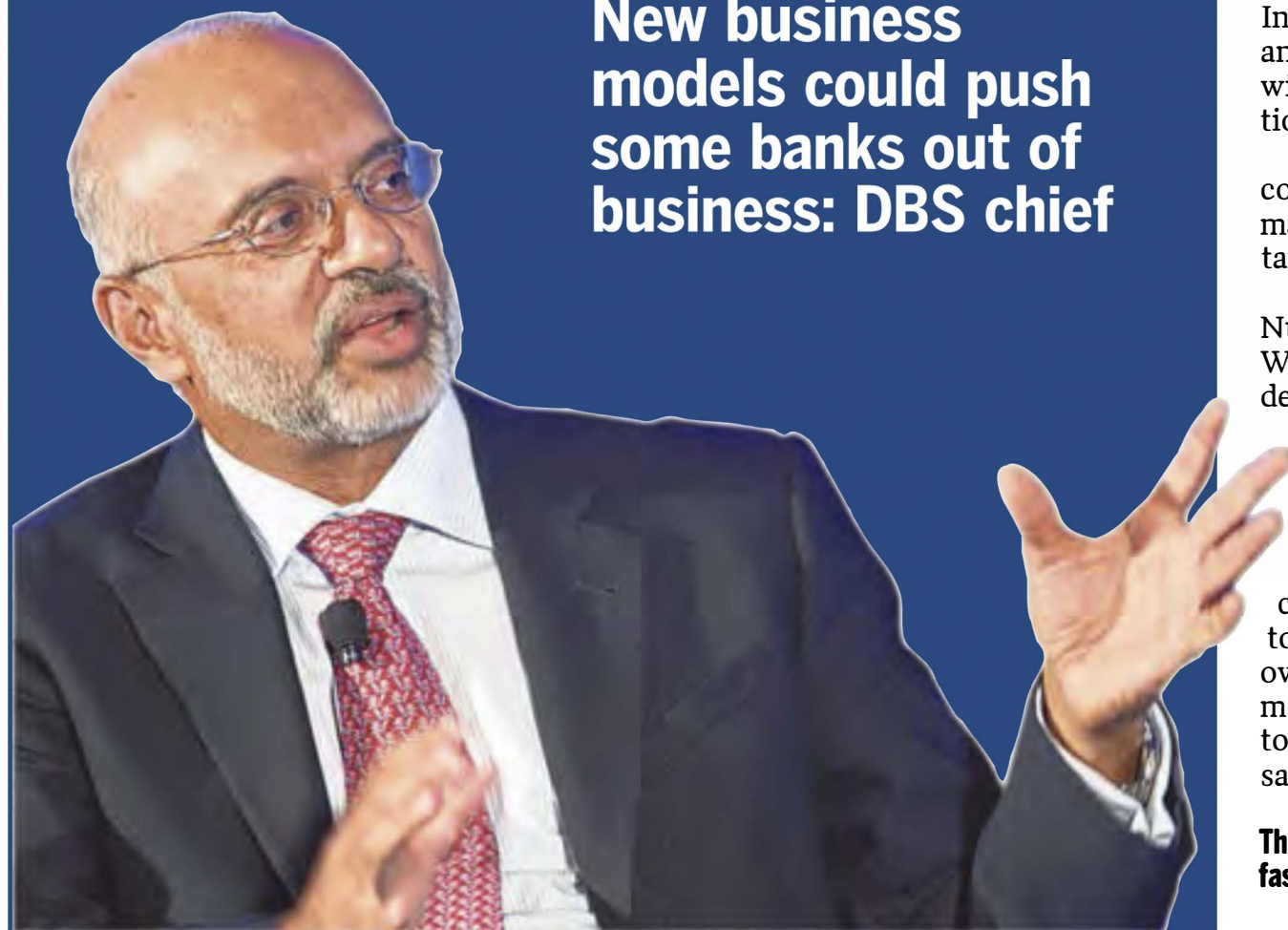


Banking faces 'cataclysmic disruption'

**New business
models could push
some banks out of
business: DBS chief**



By **MARISSA LEE**

DISRUPTIVE new business models in the financial industry could soon push slow-moving banks out of business, DBS Group Holdings chief executive Piyush Gupta said yesterday.

"In the next five years, our industry is going to go through cataclysmic disruption," he said.

"Within the next decade, there will be banks that will make the transition and banks that will die - and frankly, a decade, I'm giving myself too much time."

He was giving a keynote speech at the Singapore Management University's (SMU) Sim Kee Boon Institute for Financial Economics annual conference, co-organised with the China Europe International Business School.

One threat banks face is the commodification of the wealth management industry by online retail investing start-ups.

Firms such as London-based Nutmeg and California-based Wealthfront enable customers to design and manage their own portfolios online, with the help of low-cost, tax-efficient exchange-traded funds (ETFs).

As customers bypass wealth management advisers and financial brokers to put their money to work directly in indexes, shadow portfolios and funds, the tidy management fees that banks used to collect are "becoming history", said Mr Gupta.

The world of finance is changing fastest in Asia, said Mr Piyush Gupta.
PHOTO: BLOOMBERG

The world of finance is changing fastest in Asia, he told an international crowd of 400 financial professionals, start-up bosses, researchers and regulators at SMU.

"When Alibaba through Yu'e Bao launched their money market mutual fund, they were the world's fourth-largest money market mutual fund in eight months," he said. "The amount of money both Tencent and Yu'e Bao have been able to raise in extraordinarily short periods of time is mind-boggling."

Then there is South Korea's Hana Bank, a leader in defining the customer experience using near-field communication and location-based offers, said Mr Gupta. DBS studied Hana's offerings two years ago at the launch of its own digital journey.

And while banks like China Construction Bank have been expanding beyond the banking realm, lenders in the West have been slower to change due to the fallout from the global financial crisis, said Mr Gupta. "(They have) been so absorbed with issues of capital, of liquidity, of regulatory change that they have got completely taken up with fighting these battles as opposed to fighting the battles of tomorrow."

But Asia has its challenges too. "A lot of people simplify the notion of digital banking to thinking about apps. This is oversimplifying the process."

Until banks overhaul their back end to connect seamlessly to the front end, "you will not get true digital banking", he said.

✉ marilee@sph.com.sg