



Digital Wealth and Asset
Management
EY Discussion Document
May 2017

Digital advice sizing and projections continue to rise

FinTech “robo” startups are well funded and prolific in 2015/16

\$716m

combined VC funding for top 6 robo firms in US

Source: EY

... leading to exponential growth, but incumbent firms have grown faster than disruptors

\$~10b

combined AUM for top two robos: Wealthfront and Betterment

Source: SEC Form ADV

... and increased growth predictions in five years (2020)

\$500b – 2.2t

estimated US robo market by 2020
~5% of total AUM
(out of 42.8tn)

Source: Cerrulli and AT Kearney

200+

estimated number of global guided/advice robo-firms

Source: EY

\$55b+

combined AUM for top two incumbents in past year: Schwab and Vanguard

Source: SEC Form ADV

71%

percentage of robo assets controlled by established/incumbent firms in 2020

Source: Myprivatebanking

Many incumbents are looking to partner with startups for a variety of reasons: speed to market, appetite for long-term digital investment, ability to attract engineering talent, and their core competency (investment acumen vs. consumer software).

Digital has already made a significant impact...

WEALTH MANAGEMENT

- Robo-adviser platform assets under management globally are forecast to grow from US\$50 billion currently to more than US\$300 billion by 2020.
- Financial advisory firms are using online and mobile technology to provide integrated portfolio, practice management and reporting solutions to digitally enable the adviser of the future.
- Data aggregation platforms combine data from a variety of different sources to provide a complete financial picture of client holdings, behaviours and goals.

ASSET MANAGEMENT

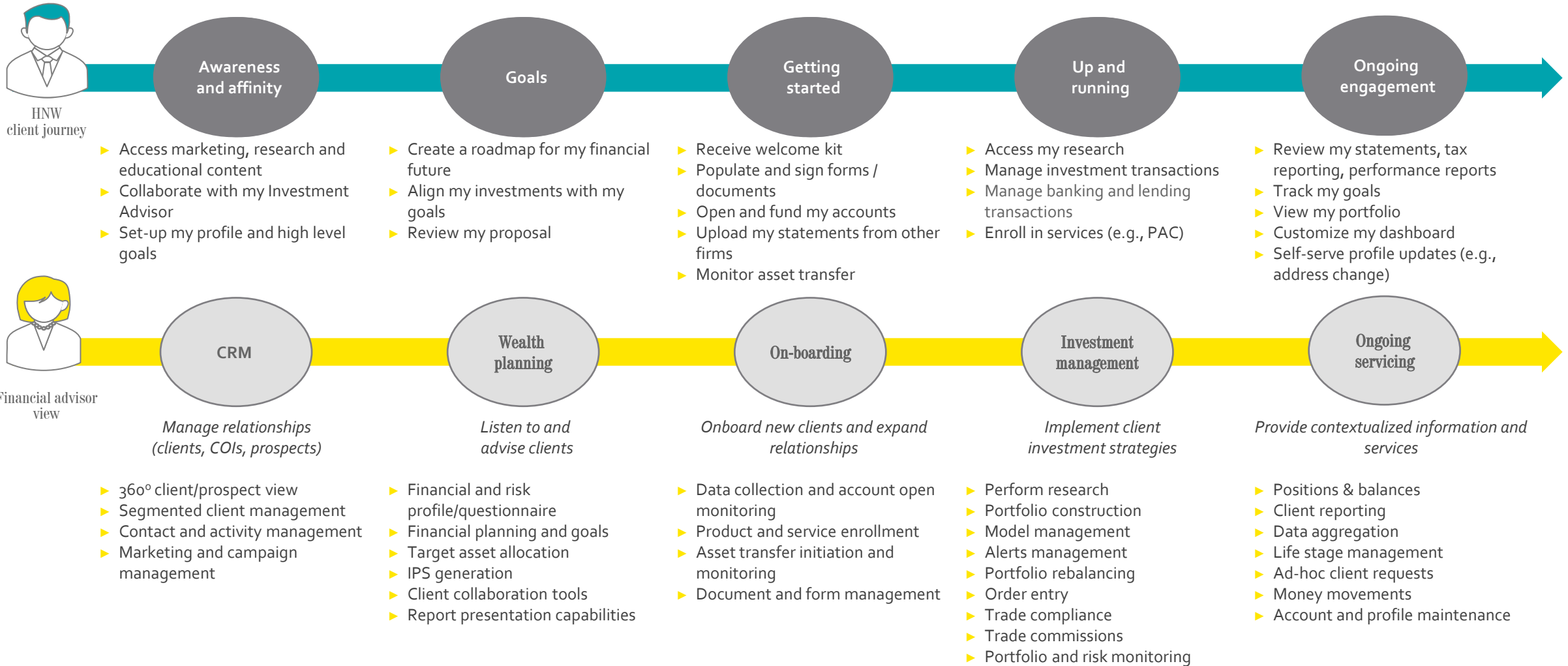
- Digital utilities enable asset managers to provide insurers with information on fund investments on a look-through basis down to holding level to meet their Solvency II obligations.
- Exploratory front office analytics transcend day-to-day controls and standard compliance reporting by offering a powerful but flexible framework for the rapid assessment of compliance deviations, potential internal control weaknesses or unintentional errors and inefficiencies.

ASSET SERVICING

- The first shares were traded on the blockchain in 2015 and many global exchanges have either launched blockchain-based trading platforms, or are in the process of doing so.
- Instead of transactions going through a central clearing house, then settling on both sides' internal ledgers several days later, blockchain allows deals to be settled within minutes, with everyone in the network seeing and checking the trade on a "distributed ledger".
- Blockchain is also being used to streamline investor voting.

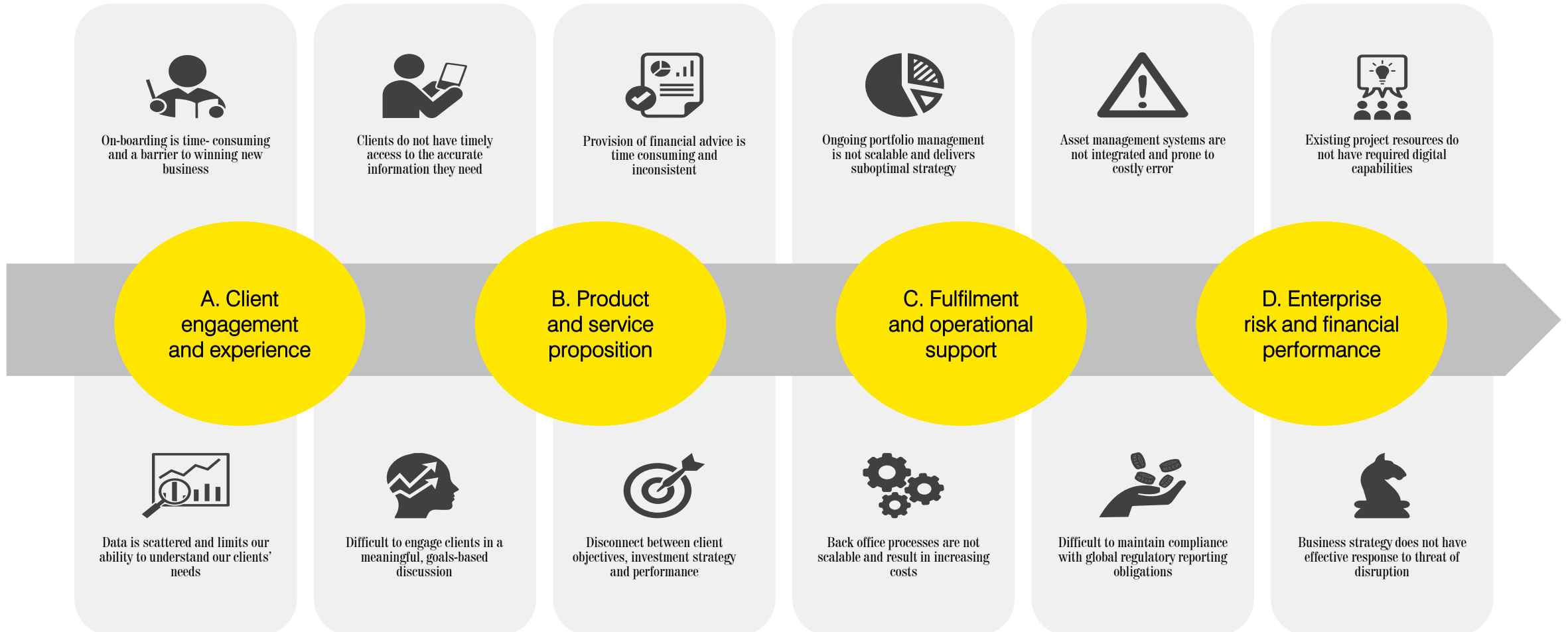
We have been in the midst of a digital revolution in wealth and asset management for the past ten years. And while we haven't (yet) seen the emergence of a major disruptor, that doesn't mean that technology hasn't changed the shape of our industry significantly.

Digitally enabled firms have greater capacity to focus on connecting with and providing expertise to clients



... but significant opportunity remains

- ▶ For all the advances we've seen in technology and data, our clients continue to face a number of significant issues that inhibit the client or adviser experience, the development of new products and services, or financial performance.

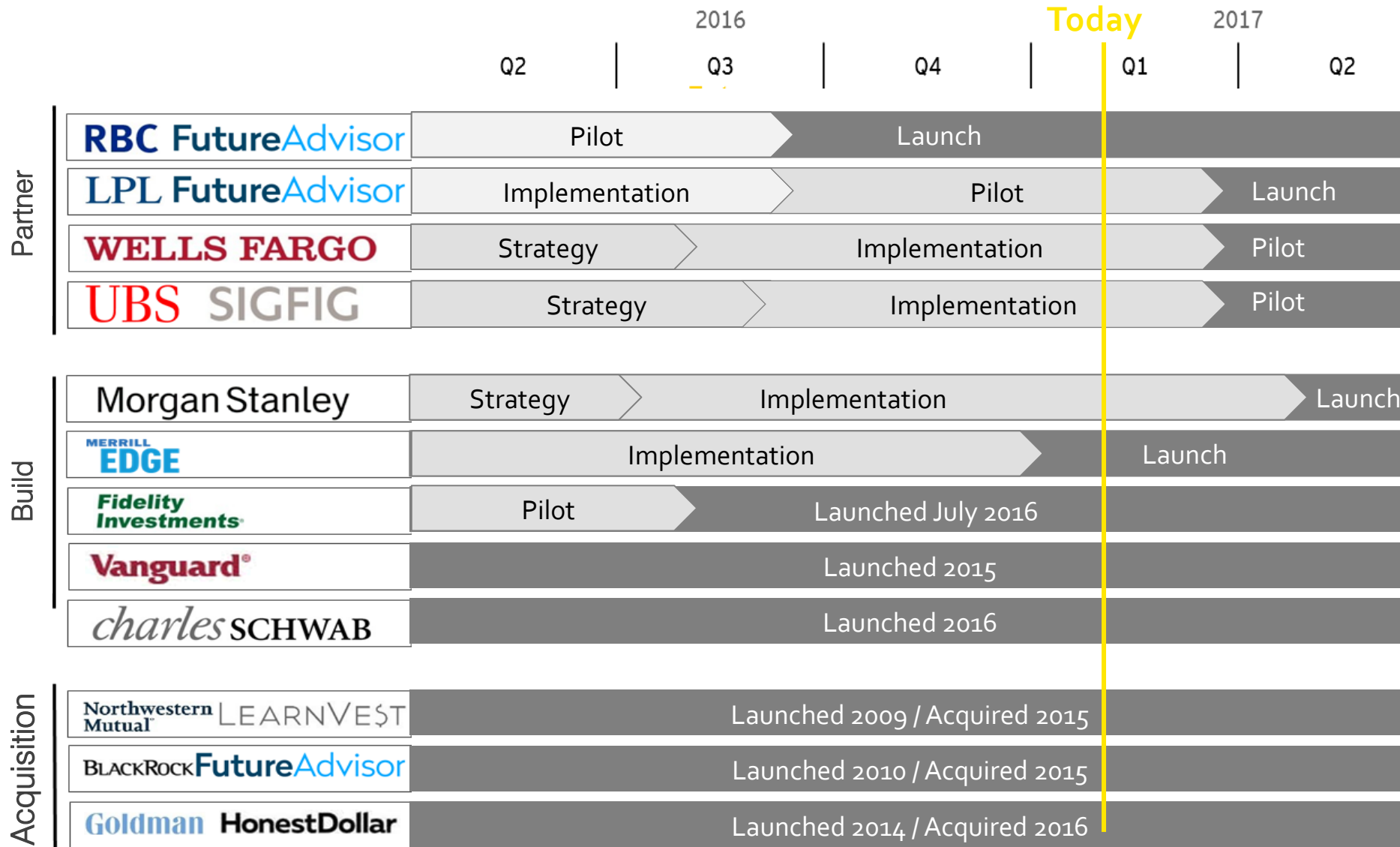


...keeping up with the pace of innovation has been challenging as leading FIs struggle to prioritize new technologies (build, buy, and partner)

- | | | | | | |
|---|---|---|----|---|---|
| 1 |  | Micro investing and PFM | 6 |  | Investments with purpose and themes |
| 2 |  | Chat bot / conversational interfaces | 7 |  | Artificial Intelligence / Machine Learning |
| 3 |  | Digitally Enabled FAs | 8 |  | Multi product solutions: protection and lending |
| 4 |  | Digital Defined Contribution Plans | 9 |  | Open APIs and third party developer portals |
| 5 |  | Digital Acquisition and Automated Marketing | 10 |  | Digital for HNW individuals / Private Banks |

Convergence of new technology, continued demographic shifts, and user preferences are creating unique opportunities for established and new digital advice firms.

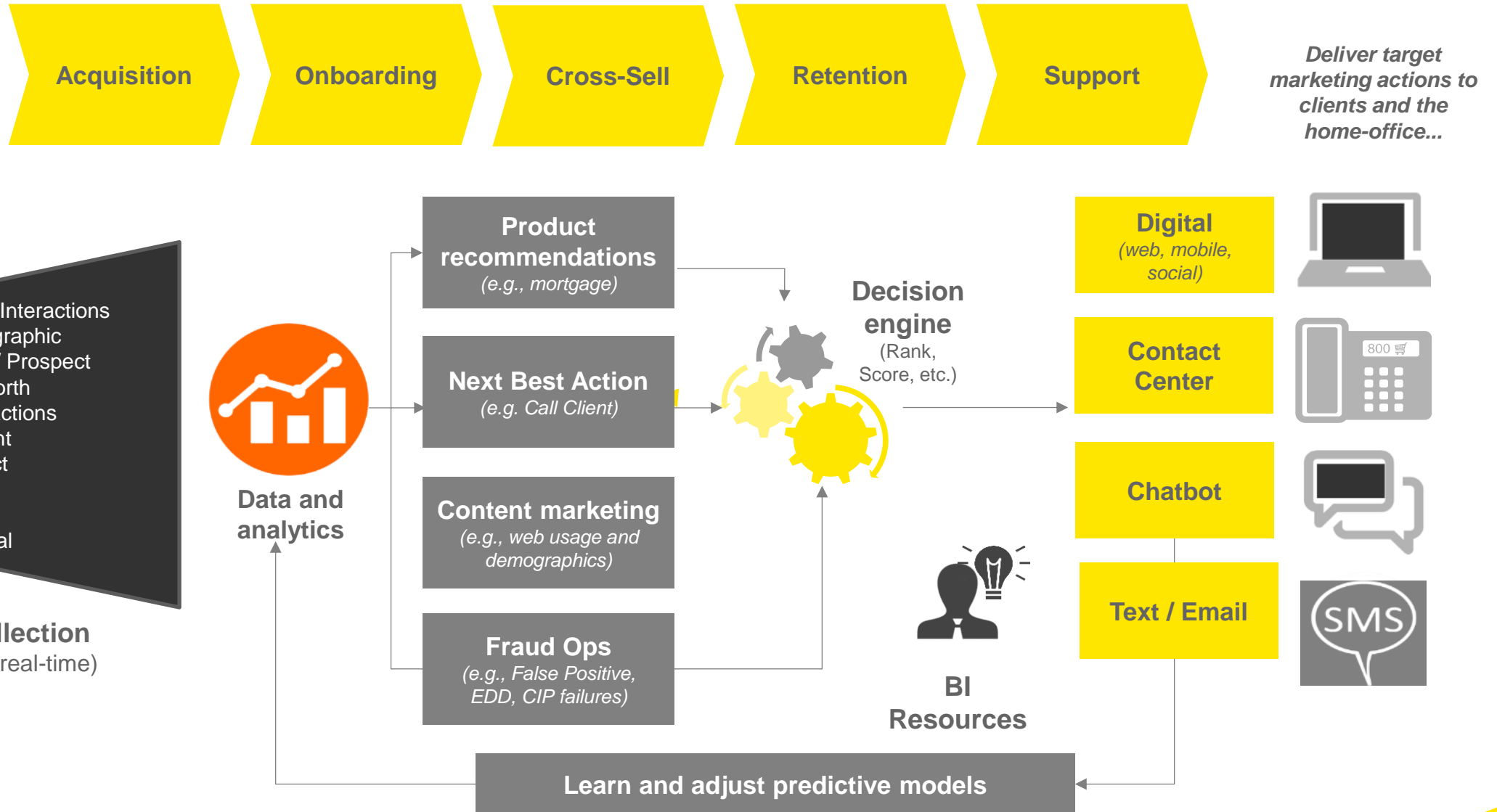
Competitive landscape – US implementation of digital advice capabilities



...And the list of Online Advice Firms continues to expand

- Acorns
- Advisor Software
- Asset Builder
- Betterment Holdings
- Blackrock – FutureAdvisor
- BOM Financial Group (Harris MY CFO)
- Brinker Capital (Retirement Advice Business)
- Circle Black (ex- Bloomberg)
- Edelman Financial Services (Hybrid model)
- Ellevest
- Envestnet (Upside)
- Financial Engines
- Fidelity Go
- Guided Investing by Merrill Edge
- Goldman Sachs – Honest Dollar
- Hedgeable
- Interactive Brokers Group – Covestor
- Jempstep
- Market Riders
- Marstone (B2B)
- Morgan Stanley – Launch in Summer
- Morningstar – Retirement Advisor
- NextCapital
- Northwestern Mutual Life – Learnvest
- Personal Capital Corp.
- Rebalance IRA
- Riskalyze
- Sigfig
- TD Bank Financial (Amerinvest)
- The Bank of New York Mellon Corp (Pershing Robo)
- The Charles Schwab Corp (Intelligent Portfolios, Institutional intelligent, Hybrid RIA)
- The Vanguard Group
- Trizic
- Wealthfront
- WiseBanyan

However, not all software is created equal. The next battleground is focused on 1) data to define what customers want and 2) machine learning to scale that problem



The unbundling of WM ecosystem

- APIs that can be white labeled in any market.
- Simple revenue share structure.
- Modules (widgets) can be offered on top of the core APIs for a fee.
- Integration with your own website / with only a few lines of code.
- New use cases from non traditional providers (insurance, P2P, etc.)

CORE WM API FEATURES

- Account Info
- Custodian Integration
- KYC
- Account Funding
- Bank links
- Support Ticketing
- Live Chat & Text Message
- Emails
- Secure Documents
- Financial Planning
- Two-Factor Authentication
- Promotions
- Rewards
- Analytics & Benchmarking
- Alerts
- Partner Tools
- Account Aggregation
- Goals
- Tax Management
- Portfolios & Allocations

ADD ON MODULES

- UI/UX
- Operations as a Service (OaaS)
- AI – Artificial Intelligence
- Investing (CIO as service)
- Banking (via Partner)
- Self Directed Trading (via Partner)
- Insurance

A young child with dark hair is shown in profile, looking intently at a laptop screen. The child's hands are clasped together on the desk. The background is dark, filled with numerous out-of-focus, warm yellow and orange bokeh lights, creating a soft, atmospheric glow. The laptop is open, and its keyboard is partially visible.

Thank you

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