



## A sustainable strategy for the Investment Management Industry in Malta

By Michael Bianchi

The last 10 years have seen the rise of various industries in Malta, most notably the Investment Management Industry (IM) - a sector within the Financial Services Industry. During the initial years, Malta's claim to fame was its European credentials, regulatory environment, versatile labour force and especially its cost effectiveness.

Despite this, the past decade has also seen unprecedented economic instability across Europe, the implementation of various new regulatory regimes as well as ever more complex reporting across the IM industry - resulting in changing customer expectations, sharpened regulation, fiercer competition and narrower margins.

The realisation and consensus across the world is that the use of Information Technology (IT) must be at the core of any service offering. IT solutions have revolutionised countless traditional industries, such as the automotive industry, to the extent that the current processes are unrecognisable to processes of the past. The same will be said about the IM industry in the years to come.

International FinTech organisations have gained considerable momentum within the IM industry. Governments and multinationals are investing significant resources in digitalisation and automation triggered to counteract the harsh realities, as innovation appears to be the only way forward.

We've seen the rise of numerous FinTech companies - many of whom are new to the IM industry - who, via their cost-efficient business models and specialisation, are managing to capture a competitive share in these shifting landscapes. They have been able to gain significant efficiencies in their processes by applying a maximum level of standardisation to specific services and data processes. All this combined with a state-of-the-art IT infrastructure and highly efficient processes which traditional Wealth Managers didn't have at their disposal but which are being increasingly demanded by clients. As change seems to be inevitable, Wealth Managers would be well-advised to adapt and take advantage of the arising digital opportunities.

As a budding jurisdiction, Malta is not immune to these new realities. It too needs to adapt and take advantage of the new digital opportunities. It must rise to the challenge by investing resources and time into developing digital tools that will enable it to continue to service and build the IM industry. Leading practitioners and the Regulator

alike have the responsibility to go beyond managing the current day challenges; they would be best served by examining new technologies, opening dialogue within international FinTech companies with the intention of positioning for the future.

#### **What will provide the local IM industry with the necessary tools to quantum leap to the next level?**

First and foremost, one should be looking at the tools and systems available to the Regulator, with the intention of driving cost efficiency and process optimisation. One often finds Regulators and established organisations running fragmented and complex IT infrastructures, where redundancies are common and information gathering is a challenge. Malta should therefore seek to adopt IT solutions which will immediately enable the regulator to leverage from existing data to the maximum. This will be an enabler towards improving processes and to developing new channels of communication with the Regulator.

Improved IT infrastructures and automation will not only reduce the response time by the Regulator, but should also reduce the strain on resources.

Secondly, Wealth Managers and service providers alike need to be looking at ways of leveraging customised IT tools. Following the financial crisis, clients have gradually begun to challenge financial services and focusing more on performance transparency. They are increasingly asking questions about the justification for fee levels whilst also demanding tighter reporting deadlines or even real-time data feeds.

Further still, information on investments must be shared through all conceivable interaction channels – ranging from traditional face-to-face contact, through websites, mobile apps and social media. Anytime, anywhere and obviously at a fair price.

This is not to suggest that the traditional relationship-driven business model in Wealth Management will become outdated thing of the past. Nonetheless, it is evident that there will be a massive shift from personal to digital interactions, while hybrid models might also appear to be very attractive.

#### **Millennials demands**

Local practitioners and service providers in Malta should seek to act on these new realities. There must be an awareness and understanding that the client base is more IT literate than ever before. Additionally, the demographic of Malta's client base will be shifting further in the years to come as current millennials will become clients and investors of the future. These would-be customers have been brought up amidst the smartphone revolution, for whom digital is second nature and who would not find traditional channels of communication acceptable or efficient. Accordingly, current systems and processes cannot be simply about driving efficiencies and reducing the human element but should also cater for the end user and their expectations and needs.

#### **The immediate challenge?**

Clearly this is not a "one size fits all" exercise and solutions will need to be tailored. But reacting effectively to digital disruption will involve much more than launching a mobile app and it is important to make an impact by boosting client centricity.

Malta's size, highly qualified labour force, versatility and already proven commitment to digital disruption in other industries puts it in a unique position to be able to be proactive in seeking to surmount this next challenge within IM.

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