



# Digital meets advice

Business disruption or business opportunity?







## Introduction

Over the past few years, a new form of online digital investment advice has emerged. Initially introduced by a new breed of wealth management firms, with the aim of drawing retail assets away from incumbent players.

The new market trend of robo advisory services leverages client information and algorithms to develop automated portfolio allocation and investment recommendations tailored to the individual clients. These services were primarily adopted by new market segments such as the millennials, self-directed pension savers and do-it-yourself investors, which are estimated to be a \$10 trillion market in assets in the USA alone (Forbes, 23 June 2015) and more than triple globally.

***According to latest figures published by Deloitte, at the year 2020 1m (mostly tech-savvy and young) people could be using robo-advice in the UK alone.***

The personal investment and wealth management industry is in the midst of a significant financial technology disruption

era, with robo-advice at the heart of it. Understanding the shift in customer's flavor, incumbent market players such as retail banks, online banks, brokers and wealth managers are reacting, as this hybrid service model gradually becomes the new norm. ***New entrants and incumbent market players are realizing the need to target the new market sectors*** by offering a channel for digital, automated advice.

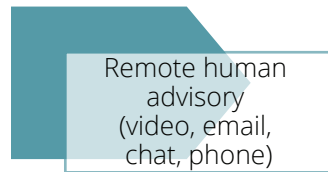
Robo advice is here to stay and we have seen only the beginning of what automated advice can become. Most incumbent financial institutions will have to adapt accordingly in order to stay on top of the game. Financial institutions in the UK have started to pursue an opportunity to make wealth advice economically feasible for the mass market, to create new client experience, and target new potential client segments.



## Industry trends

The digital technologies revolution is changing the way we work, interact and extract information and the financial markets are no exception to that change. The information jungle is great for entertainment and lifestyle decision making, but when real money is in question a different approach is needed.

### *The advisory evolution*



### *Times have changed*

The latest financial crisis resulted with significant loss of clients' trust in the incumbent investment institutions. This sobering process brought about a great awakening of innovative, fresh investing concepts that are more customer facing. During the time incumbent market players concentrated on meeting new regulatory requirements and solving the complexities of crisis-driven new alliances, the new comers grasped the rising opportunity to leverage their high-tech savvy talents. New start-ups started vigorously to design and develop customer friendly, responsive, transparent and cheaper alternatives of delivering financial advice.

### *Customers have changed*

Emerging new competitors are weakening the model of traditional banking. The newcomers are able to offer hybrid services at a lower cost via digital vehicles. Nowadays people seek personalized services which will stay in line with their modern, digital, way of life and goals. Investors pursue greater autonomy in monitoring the state of their finances and investment plans. Initial demand for these services has been fueled by a younger set of investors that has largely been underserved by traditional players. While the tech-savvy millennials were the initial target for automated investment advice, the digitalization of these services has the potential of reaching a much broader and in some cases untapped market segments.



## *New regulatory rules*

The global changes applies also to Europe and even more so to the UK where new regulatory rules were introduced in 2013. The new regulations, which were designed to avoid any potential bias or conflict of interest, ended up with the majority of banks pulling out of offering financial advice since they were no longer able to pocket commission for investment recommendations. As a direct result a handful of

digital advice platforms were launched focusing on filling the newly created void by offering investors cheap, transparent investment advice. According to the UK Financial Services Authority. The number of advisors dropped from 40,000 at the end of 2011 to 31,000 by the start of 2013, subsequently, millions of investors ended up without access to any affordable advice and are now looking for alternatives.

## *The drivers of change:*

- Regulation: MIFID II reinforces the concept of transparency and customer protection
- Fintech: technology applied to finance determined by cultural changes resulting from new technologies
- New competitors: technology companies are the new player
- New typology of customers: targeting the underserved and non-traditional market sectors by offering a channel for digital, automated advice



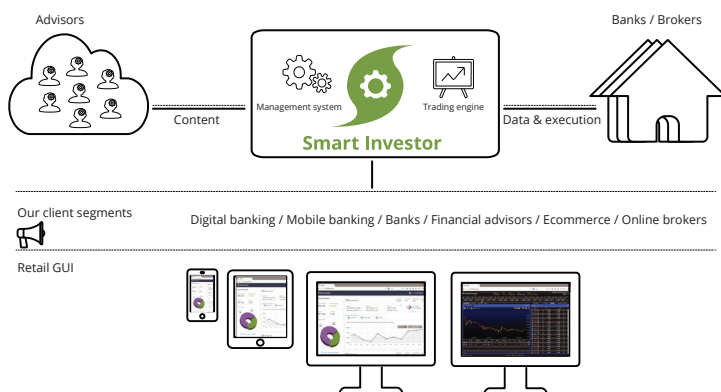
## What is the digital investment (robo-advisory) offering?

The vast majority of wealth management experts charge 1-2% in fees annually, totaling in \$300-600B in annual fees.

The digital investment technology enables the industry incumbents to protect these commissions.

Tradency's expertise as a comprehensive technology service provider established a significant base for content & management tools. Tradency applied these tools to uniquely provide hybrid robo advisory service to a broad variety of assets supporting both passive and active investment strategies. Owing to its decade's worth of experience of designing and building online, active trading solutions, Tradency is able to support diversified investment portfolios. With these capabilities, Tradency's Smart Investor provides the ability to monitor the market, update portfolios dynamically.

### Full stack digital investment & trading ecosystem



### *It is a full stack ecosystem*

The Smart Investor is a full stack digital investment ecosystem of an online hybrid investment advisory service.

The Smart Investor provides bespoke, multi asset trading comprised of online brokers, banks, wealth management companies & independent advisors.

### *It is hybrid*

The Smart Investor's hybrid nature enables advisors to construct dynamic investment portfolios due to the system's inherent ability to track and incorporate changing market variables and conditions. The information is derived from both human resources and automated, algorithm-based portfolio management advice.

### *It is dynamic & active*

The Smart Investor algorithm driven investment portfolios are monitored and updated continuously supporting both passive and active trading to achieve excess return. The updating is based on the investor's changing preferences and objective conditions such as changes in market conditions, regulation and specific advisors' demands.

### *It is easily integrated*

Seamlessly integrating into multiple exchanges and financial organizations' internal systems. The Smart Investor can connect to a wide range of proprietary and FIX protocols.

### *It is a smart BI machine*

The Smart Investor contains advanced automated BI systems that can effectively bid on millions of keywords in search engines to acquire new customers in a cost-effective manner. by utilizing an artificial Intelligence based system that provides automated real-time response to clients trading needs, The BI machine proactively engages with consumers using real-time and drive retention processes





## *The Japanese breakthrough*

The penetration process into the Japanese market is lengthy and fraught with obstacles.

Tradency is one of the very few foreign companies that has managed to penetrate and secure a leading market position in a very local oriented market. Smart Investor presents a unique opportunity to gain exposure in the Japanese markets, using our platform as a distribution arm into an untapped market segment.

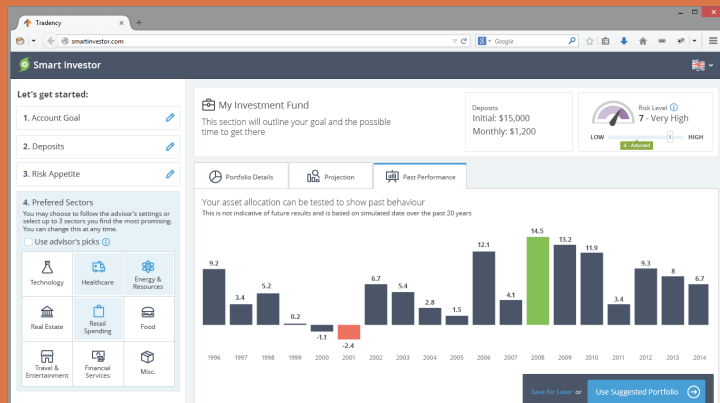
- Tradency has a presence in the Asian FX market since 2007
- Tradency is the biggest, most successful, foreign platform provider in Japan in both number of clients (end-users) and in actual and potential volume.
- From the list of selected top-tier brokers, 3 are Japanese brokers (Invast Sec, CTFX, FX Prime) that are prominent members of Japan's top 10 "A-list" brokers.
- Tradency is the first auto trading technology provider to be registered by the JFSA as an investment advisory business.



## Conclusion

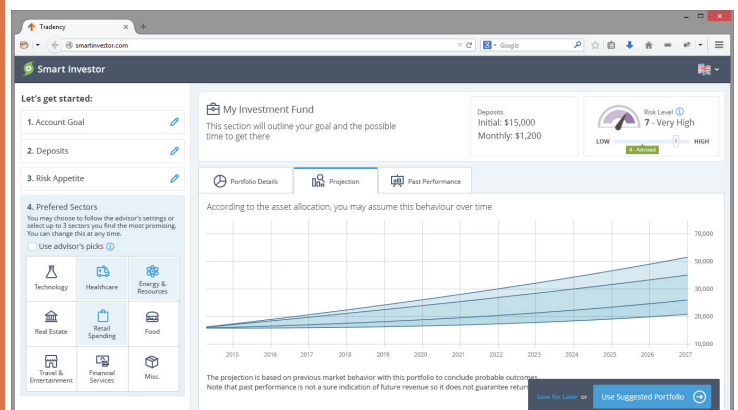
Over the last few years, as fintech has been gaining a more central position in the established financial markets, we have witnessed the strong growth of new market trends starting digital investment methodologies and robo advisory technologies. In the foreseeable future we believe that digital, automated advice will become a standard expectation. While robo advice swiftly becomes a commodity, a long term, solid business model requires advanced technology and a value-added offering.

## About Smart Investor by Tradency



Tradency is a pioneering pure financial technology provider, focusing on product development and advanced services for retail investors and retail traders. For over a decade, Tradency has been successfully providing automatic trading and advised investment platforms used by millions of end users globally. By deploying Tradency's B2B services, financial institutions around the world license and market Tradency's financial technology, creating new market trends and business opportunities.

Tradency invented the Mirror Trading concept in early 2005, creating a trading service that provides retail traders with valuable, professional knowledge and automatic trading strategy implementation.



Since early 2015, Tradency is leveraging its success by bringing its established technology to provide financial institutions with a full service, ready to use, infrastructure to serve the fast growing global robo advisory market.

Tradency is known for its high standard bank-grade service and for the robust and scalable nature of its technology. Tradency has integrated its technology with numerous financial infrastructures, gaining expertise with financial standards and complex proprietary systems while demonstrating high execution rate levels.

Tradency is regulated by the JFSA (Japanese banks and financial markets regulator), and is CTA for NFA (US Futures markets regulator) Certified.

**Want to know more?**

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