Make your investments count

From a focus on asset management to the establishment of more family offices, *GN Prime* tracks the top five developments in the world of private banking

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By Shalini Seth
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Asset management gains prominence. Technology and analytics become increasingly important as investment instruments transcend geographies. Family offices are on the rise the world over. Regulators are no longer content to stay behind the scenes, and definitions on both sides of the table — what the private banker does and what it takes to be a client — are changing.

Here are the five top trends in the world of private banking and wealth management this year.

Do you qualify for private banking?

The minimum you need for a private banker changes according to the bank you go to. Banks all over the world have to contend with regulatory pressures. Combine this with the increasingly international nature of investment and you have a case for economies of scale, which in turn dictate products.

Bigger global banks are now able to function more effectively but are also cutting costs. David Pinkerton, Chief Investment Officer, Falcon Private Bank, tells *GN Prime*, "Ultra-large banks are not really in client acquisition mode at this point, but are seeking to focus on their most profitable client segments and put more energy and resources into larger existing clients. This means smaller clients are being forced into broad retail solutions and many of them with $5 million (about Dh18 million) to $20 million in bankable assets are paying much higher total fees in spite of not getting full service."

David Pinkerton
Chief Investment Officer, Falcon Private Bank

Barclays in the UK was recently in the news for moving clients worth £500,000 (about Dh3 million) or less to their central investment team instead of providing personalised private bankers to each of them, as before. The financial institution also made one-third of its private banking staff redundant.

This leaves room for smaller players to intensify their pitch, leading to bifurcation in the industry. "There's some shifting of market shares within the $2-million to $20-million client segment, which is our target client profile. We are accumulating momentum in this channel and client segment in particular," says Pinkerton.

Asset management drives market share

At bigger banks, asset management will be the focus, moving away from the pure play private banking approach of collecting funds. According to Euromoney's 2014 Private Banking and Wealth Management Survey, big global players have been able to gain client assets in prime international markets such as London, New York, Singapore, Hong Kong, Zurich/Geneva and Dubai at the expense of regional banks.

According to the survey, "The top five banks are looking to asset management as the driver for market share. Each now has a chief investment office that is responsible for macro asset allocation decisions for the bank's clients. It is a move away from the traditional model of private banking."

You're only as good as your techie

Not quite, but you're almost there. Analytics, know-your-customer norms and regulations have increased the private banker's reliance on technology. "Private banks and financial intermediaries, in general, used to have an edge over the client with access to proprietary information on capital markets and investments. Now, the internet and numerous other software tools have empowered the customer with more information than any time in history," says Pinkerton.

Vivek Agarwal
Senior Vice-President and Business Head, Dun & Bradstreet

Vivek Agarwal is Senior Vice-President and Business Head at the data provider Dun & Bradstreet. He looks after analytics and technology solutions in emerging markets such as the Middle East, Africa and South Asia and says the company's business has been growing at about 20 per cent every year.

The reason is multifold. "The biggest change we are seeing is in the usage of business analytics. It is cheaper to store historic data and viable to get real-time feeds on different third-party feeds from reliable sources, to use them internally within the bank and share the information with customers," Agarwal tells *GN Prime*.

Technology also means embracing mobility. Booz and company's Global Wealth Management Outlook lists a digital agenda among its strategies for wealth managers this year. Local banks such as Emirates NBD are already looking at introducing private banking services on tablets; others are giving private banking clients access to their accounts on their mobile phones.

The rise of the family office

A staple in the region, family offices are enjoying the spotlight all over the world. Experts have been predicting a global rise of the family office since 2009. According to *The Wealth Report 2013* by law firm Boodle Hatfield, 60 per cent of the private client advisers consulted deals with families, which frequently have members who live outside the home jurisdiction. Another 9 per cent advises clients whose families are always outside.

The result is that families are having to deal with everything from asset management, family governance, succession

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>
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> Falcon Private Bank

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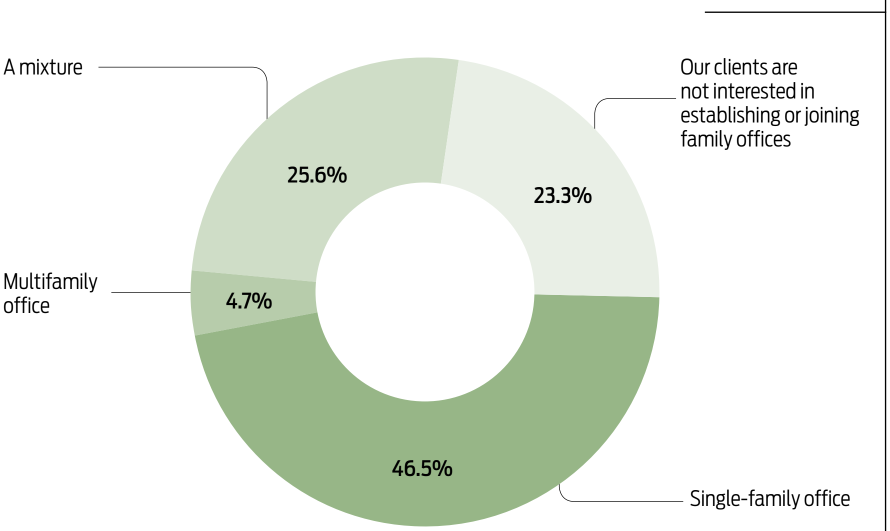
planning, charity and administrative assistance in a complex and ever-changing international legal, regulatory and tax environment. The rise is visible in both single-family offices, which focus on one family, and multifamily offices, which specialise in this sector.

"There are increasing assemblies of family offices and at some level of total wealth, the families can create their own investment department and hire professionals to do the work, which, in the past, was outsourced to an adviser or a private banker," says Pinkerton.

HOME BRED

What type of family office are clients interested in?



Source: The Wealth Report 2013 by The Global Legal Post in association with Boodle Hatfield

Banks specialising in this sector are upping their game. Credit Suisse Private Banking, for instance, recently published the white paper *The Family Office Dynamic: Pathway to Successful Family and Wealth Management* as a guide for families considering setting up a family office.

As to who should have a family office, Pinkerton says, "We estimate a total asset base of several billion dollars in order to have the critical mass to hire private investment professionals and attract superior talent in the investment game. Below this level it is far better to outsource the process of getting advice to a private bank, which leverages a larger client base and can afford to hire more professional investment talents."

Being regulator-friendly

Whether local regulations demand it or not, expect transparency. *GN Prime* was told on condition of anonymity, "There is competition between financial centres to be whiter and cleaner than the others; to be more ethical and compliant."

Worldwide, compliance is moving towards a more homogenous set of rules, says Pinkerton. "It is more and more difficult for a client to choose a bank or jurisdiction based on its compliance-friendly culture. Some banks are being run with an overly burdensome compliance culture. They are becoming impractical and are not driven by legitimate client goals."

In effect, this is likely to create a fear-driven, risk-averse market not conducive to growth.

Even in such a scenario, however, some see business prospects. Pinkerton says, "This is an opportunity for banks with sophisticated and experienced compliance departments, who can see through the complex needs of clients and deliver tailored solutions."