Global Private Banking and j_Wealth "Management ____

The New. Realities

David Maude

UNIVERSITAT LIECHTENSTEIN Bibliothek



Contents

Preface Acknowledgements •			xi
			• xiii
1	Global Market Overview		
	1.1	The wealth management market "" •	1
		1.1.1 Investment mandates .	3
		1.1.2 Offshore versus onshore	4
		1.1.3 Market size and growth	6
	Box	1.1 Wealth market measurement methodologies: lies, damn lies and	
		wealth statistics? , , , .	9
	1.2	Key wealth drivers	13
		1.2.1 Generic drivers	14
	Box	1.2 US Wealth Dynamics	, . 16
		1.2.2 Regional drivers •	20
	1.3	Industry economics :	26
		1.3.1 Value drivers and key performance indicators .',	29
	1.4	Competitive landscape	35
		1.4.1 Industry concentration	37
2	Industry Challenges: New and Old		39
	2.1	Clients	40
	2.2	Products, pricing and channels	. 42
		2.2.1 Products	42
		2.2.2 Pricing	43
		2.2.3 Channels	44
		Competitors and business models • •	45
	.2.4	External environment	47
3	Clier	nts	49
	3.1	Key characteristics ;	4 9
		3.1.1 Sophistication	49
		3.1.2. Advice	50

vii	i Contents		
	3.1.3 Buying behaviour	51	
	3.1.4 Relationship fragmentation	52	
	3.1.5 Regional differences	53	
	3.2 Client segmentation	54	
	3.2.1 Traditional high-level segmentation: the wealth pyramid	54	
	3.2.2 Other segmentation criteria	,55	
	Box 3.1 Ultra-high net worth individuals	56	
	3.2.3 Multiple segmentation-criteria	61	
	3.2.4 New segments and subsegments	62	
	Box-3.2 Client segmentation at Coutts'	63	
	Box 3.3 Professional sports players -	65	
•	3.3 Client value management	67	
	3.3.1 Client acquisition	70	
	3.3.2 Client development	71	
	3.3.3 Client retention	' 72	
4	New Products and Pricing	• 77	
	4.1 New products and services	80	
	4.1.1 The advisory process	81	
	4.1.2 Tracker-related products "	84	
	4.1.3 Structured products	85	
	Box A.\ Islamic private banking '	90	
	4.1.4 Alternative investments	92	
	Box 4.2 Co-investment-	102	
	Box 4.3 Structured products and alternative investments - success in		
	advice-led selling	103	
	4.1.5 Property and real estate	105	
	Box 4.4 Investment performance measurement	108	
	4.1.6 Lending services	110	
	4.1.7 Other products and services	112 115	
	4.2 Product sourcing and management		
	Box 4.5 Multi-manager fund structures •		
	Box 4.6 Product management discipline	121	
	4.3 Pricing Box 4.7 Pricing discipline * •	123	
	Box 4.7 Pricing discipline * •	124	
5	Distribution Channels	127	
	5.1 Relationship managers	128	
	5.1.1 Roles -,	129	
	5.1.2 Organisation and structure	132	
	5.1.3 Sales effectiveness	135	
	Box 5.1 Increasing the time in front of clients		
	5.1.4 The 'war for talent'	140	
	5.2 Other traditional channels -	144	
	5.2.1 Referral agents	144	
	5.2.2 Branches	145	
	5.2.3 Client reporting	146	

	Co	ontents

	5.3	New and emerging channels	148
		5.3.1 Online	149
		5.3.2 Broadband and beyond	150
	5.4	Multichannel management	151
6	Play	vers	153
	6.1	Types of players	153
		6.1.1 Private banks ">	153
		6.1.2 Universal banks	155
	Box	6.1 EFG International . •	156
	Box	6.2 High-profile retrenchments	159
		6.1.3 Financial advisers	-• 161
		6.1.4 Investment banks	.162
		6.1.5 Family offices	163
	Box	6.3 Peer networks	164
		6.1.6 Regional perspective •	165
	6.2	Business system upheaval	168
		6.2.1 Value chain disaggregation '	' 169
		6.2.2 Business model convergence . ;	169
		6.2.3 Divestment of non-core businesses ~~ . •	171
	6.3	Consolidation	171
	_	6.3.1 Recent consolidation activity	- 172
	Box	6.4 Julius Baer	, ." . 176
		6.3.2 Consolidation drivers	179
		6.3.3 Best-practice implementation	180
7	_	erational Excellence	185
	7.1	Smart operational sourcing	187
		7.1.1 Operational outsourcing	188
	Box	7.1 Wealth management insourcing	193
	7.1.2 Operational off shoring		194
		Lean operations	196
	Box	7.2 Six Sigma	197
		7.2.1 Four lean principles	199,
		7.2.2 Benefits	. 2 0 0
	7.0	7.2.3 Implementation	201
	7.3	Technology transformation ;•	202
	7.4	Value-added support services	203
	7.5	Instilling operational excellence	205
		7.5.1 Operational redesign	205
8		ganisational Design	209
	8.1	Organisational structure	209
	8.2	Business unit interfaces ~	210
		8.2.1 Asset management	212
	Box	8.1 Citigroup's asset management exit	214
		8.2.2 Retail bank	219

Contents

	8.2.3 Investment bank	c		.'	222
	8.3 International dimension				224
9	Regulatory and Tax Issues				• 227
	9.1 Money laundering vulnerability				227
	9.2 Regulatory initiatives				'230
	9.2.1 Offshore financial centres				232
	9.2.2 USA Patriot Act	'			236
	Box 9.1 Basle II c				236
	9.2.3 Wolfsberg anti-money-laundering principles •				• 238
	9.2.4 Implications of regulatory initiatives for wealth manager	S			238
.;	Box 9.2 International accounting standards				239
	Box 9.3 Citigroup Private Bank Japan				240
	Box 9.4 RiggsBank				242
	9.3 Tax initiatives				246
	9.3.1 OECD project on harmful tax practices •				246
	9.3.2 US qualified intermediary regime .				247
	9.3.3 European Union Savings Directive				248
	9.3.4 International tax amnesties . •				250
	9.3.5 Implications of tax initiatives for wealth managers				251
10	The Future				257
:. •	10.1 Introduction				258
•	10.2 Sources of new profitable growth				259
	10.2.1 New geographies • .				259
	Box 10.1 Japan				263
	10.2.2 Client relationship deepening .	,	•		267
	10.2.3 New propositions	1			269
	Box 10.2 Emerging client segments				270
	10.3 Future industry structure •				-274
	10.4 Critical success factors ••				278
	10.5 Conclusions		•		. 2 8 1
Ap	ppendices				283
	Appendix 1: Country wealth market analyses				283
	. Appendix 2: FATF 40 Recommendations				310
	. Appendix 3: FATF special recommendations on terrorist financing	·			318
	Appendix 4: The Wolfsberg anti-money-laundering principles '				320
Gl	ossary of Terms				327
Bil	bliography				333
Index .					341