

Banks go head to head to capture the plum UHNW client

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Private banking players have decided, in increasing numbers, that the ultra high net worth (UHNW) segment is the new battleground for the industry.

Almost daily, one bank or another launches an initiative to capture the UHNW client, either through upgrading services or by launching a suite of services akin to a multi family office.

Barclays Wealth is known to be readying its own super wealthy campaign, to be rolled out across Europe in coming months. Elsewhere, Deutsche Bank Private Wealth Management has become a formidable competitor by offering large loan and credit facilities to uber wealthy clients, capturing most mandates which it bids for, rival bankers say.

JP Morgan Private Bank, a firm that typically has had a blue riband list of clients, is moving to out perform rivals, with plans to grow its frontline staff serving the “ultras” in Europe by 15 percent next year.

In other initiatives, Canada’s Scotiabank has just acquired WaterStreet Group, a large family office in order to expand UHNW services. WaterStreet, which caters to clients with assets ranging from C\$20 million to C\$1 billion, will become a separate unit for the ultra-wealthy clients of the bank.

Cathy Welling, head of the Scotiabank's private client group, says that with the acquisition of WaterStreet, it will be able to cater for its ultra rich clients who need more sophisticated financial advice like estate and trust services, philanthropic advisory and private banking.

This deal follows the move by the rival Bank of Montreal to set up a new private wealth group under its BMO Harris Private Banking arm in Canada to cater to families with at least C\$25 million in net worth.

Down under, Commonwealth Bank of Australia is aiming to expand its presence in the ultra segment with the launch of the Commonwealth Private Office to provide strategic investment advice for clients with more than A\$10 million in investable assets.

The market in Australia for UHNW clients is between 3,000 to 4,000 families, or about \$120 billion to \$150 billion in size, according to the bank’s estimates.

Citigroup Private Banking has taken a slightly different tack, created a global unit to target family offices. Citi has said that one of its global priorities “is providing best-in-class service to the existing and growing number of family offices of our major clients. This work requires outstanding client skills and market knowledge, alongside a deep understanding of Citi in order to deliver the bank to our clients.”

UBS is entering the fray, announcing a new business unit called the Global Family Office Group, a joint venture between the firm’s global ultra high net worth (UHNW) division and investment bank. It will provide coverage to its clients separate from investment products and services, but collaborating closely with it in

order to provide wealth management products and services.

For a number of large, conglomerate banking groups, like UBS and Barclays, the motive behind the scramble for the UHNW is clear. Tapping rich families can gain lucrative collateral business for investment banking and corporate finance.

In addition, the super rich are rebuilding their wealth faster than other wealth segments, making it attractive for private banks. The CapGemini-Merrill Lynch Wealth Report showed that these clients grew their wealth by 21.5 percent in 2009, well above global wealth growth of 17 percent.

The hunger for the ultras comes despite the fact that they are “price setters,” with significant net worth that allows them often to dictate the terms on which they will give business to their advisors. So that collateral business, with fees and margins for M&A work, capital raising and loan facilities, becomes vital.

But there’s another factor at play behind the drive for the UHNW - something that few private bankers will publicly concede.

Big multi-family offices, representing some of the stiffest competition for private banks for wealth dynasties, say such investors have become disenchanted with the value that private banks can offer. And, in the wake of the credit crisis, many have lost trust in their advisors.

So banks are being forced to cosy up to the UHNW sector because of the danger they could be dis-intermediated by family offices as well as the private client advisory divisions of big accounting or law firms.

One of the most outspoken heads of a family office, Mohammad Kamal Syed, chief executive of MaxCap, contends that the multi-family office concept will make significant inroads after the financial crisis and loss of client confidence.

“Wealthy families have been poorly served by the private banks whose vested interests superseded their clients,” he asserts. “This veil has finally been lifted by the financial crisis.”

Certainly, family offices are more than keeping up with the pack when it comes to drumming up business. A study by the Family Wealth Alliance in the US reported that the 72 firms that participated in its survey saw a combined 8.2 percent increase in assets to a total of \$357.3 billion last year. The average client had \$49.6 million.

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