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On track for digital wellness

- Interview: Arbuthnot Latham's James Fleming
- PBI London Awards: Preview
- Interview: Lombard Odier's Dominic Tremlett
- Country survey: France

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CONTENTS

London state of mind

These are exciting times for wealth management in the UK. The private banking industry in London, particularly, is becoming increasingly interesting, with more banks and their clients alike rushing to the UK capital.

Established banks from across the world as well as new institutions are developing private banking units in London, while other big players are growing their existing operations.

Indeed, with the strategic advantage of its central timezone and an increasing inflow of foreign money, London has strengthened its position as the go-to wealth hub, particularly for the ultra-high net worth clientele.

The UK General Elections earlier this month saw The Conservative party swinging into power.

This has come as good news for private banks and their clients.

The already flourishing London property market, for instance, has got a further boost.

The (in)famous Mansion Tax the wealthy would have potentially had to face if the Labour party had come into power was being feared for a while by most high and ultra high net worth clients who own expensive homes in Britain.

The Conservative's win has batted away those concerns as HNWIs and UHNWIs will not need to downscale their property exposure.

Additionally, the appeal of the once-favourite offshore financial hubs, such as Switzerland, has taken a hit due to the end of banking secrecy. This has further added to London's attractiveness for wealthy clients.

However, regulation and compliance demands continue to loom large on the leading financial centres of the world, putting banks' profitability under the spotlight and driving industry consolidation. The UK private banking industry needs to effectively navigate through this climate.

Also, the European private banking industry trends significantly influence the UK sector and it is important to keep in mind the various shortfalls and synergies.

This is why the upcoming PBI London Conference, which will take place on 3 June, is the ideal forum to discuss and debate the future of the UK as a global private banking and wealth management capital.

This is the right time to get industry experts in the same room to talk about not only the strengths of the market but also evaluate drawbacks, pressures, and potential threats.

It will definitely be a day of rewarding insights and valuable interactions.

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Hedge funds climb in April as Chinese, EM equities surge: HFR

Hedge funds posted gains in April as regional equity and currency markets across China, Russia, Brazil and the Middle East posted sharp gains. Volume surged on the Shanghai/Hong Kong Connect program to a daily record, driving Chinese A-shares to a gain of over 18 percent for the month, according to a report by HFR.

The HFRI Fund Weighted Composite Index gained +0.8 percent in April, extending 2015 gains, with contributions from exposure to Emerging Markets and Energy.

April performance was led by the HFRI Emerging Markets Index, which advanced +7.0 percent, the best monthly return since May 2009. All EM regions posted gains, led by Russia and Emerging Asia, with the HFRI EM: Russia/Eastern Europe Index advancing +10.8 percent for the month, benefiting from the strong recovery in the Russian Rouble, as well as regional Russian equity markets.

The HFRI EM: Asia ex-Japan Index climbed +10.5 percent, also the best performance since May 2009, while the HFRI China Index posted a gain of +13.0 percent, the highest return since Index inception in 2008. Hedge funds investing in other Emerging Markets also posted strong gains, as the HFRI EM: Latin America Index gained +5.9 percent, while the HFRI MENA Index advanced +3.6 percent.

Hedge fund strategy performance was led by the HFRI Equity Hedge Index, which gained +2.0 percent for the month. Equity Hedge gains were led by exposure to recovering growth equities, with the HFRI Fundamental Growth Index up +4.0 percent for the month, the best monthly performance since October 2011.

Energy and Fundamental Value strategies also posted gains, with these HFRI Indices advancing +3.9 and +2.0 percent, respectively.

Fixed income-based Relative Value Arbitrage strategies also posted gains, as US & European yields rose and high yield credit tightened, with the HFRI Relative Value Arbitrage Index advancing +1.4 percent. RV gains were led by Credit Multi-Strategy, Convertible Arbitrage and Yield Alternative sub-strategies, with these gaining +2.4, +2.1 and +1.9 percent, respectively, in April.

Event Driven hedge funds also advanced for the month as deal volume accelerated with transaction announcements in Kraft/Heinz and Teva/Mylan, as well as the announcement of a transaction involving GE, Blackstone & Wells Fargo.

The HFRI Event Driven Index gained +1.2 percent, with ED sub-strategy performance led by the HFRI ED: Activist Index gain of +1.9 percent and the HFRI ED: Special Situations Index gain of +1.4 percent.

Partially offsetting these, Macro hedge funds posted declines in April, paring strong 1Q15 gains, as models re-calibrated portfolio exposures as a result of Oil and Currency reversals.

The HFRI Macro Index declined -1.2 percent, reducing the YTD gain to +1.9 percent. Macro sub-strategy declines were led by quantitative, trend-following CTA exposures, with the HFRI Macro: Systematic Diversified/CTA Index declining -2.2 percent for the month, paring the YTD gain for the Index to +2.4 percent.

HFR president Kenneth Heinz said: "The drivers of April HFRI performance shifted significantly from the exposure factors which drove gains in recent months, as strategies which had been lagging, including Emerging Markets and Energy, reversed to lead performance, while trend-following CTA and Macro multi-strategy exposures declined, paring recent gains.

"Opportunistic hedge funds which are tactically positioned across a broad spectrum of exposures, including Emerging Markets, Energy, Oil, Currency, Shareholder Activist and interest rate sensitive strategies, are likely to drive industry performance gains and asset growth through mid-year 2015."

A favourable result for private banks: UK General Election 2015

The Conservative party have won the UK election, securing 331 of 650 available seats. After a number of policies proposed by the Labour party that would have affected wealthy individuals, the private banking industry is breathing a sigh of relief.

Industry experts from private banks and wealth management companies give their comments on the surprise election result and the significance the newly elected government will have on the UK economy:

Bill O'Neill, head of the UK investment office at UBS Wealth Management

"The good news is that the current fiscal trajectory remains firmly in place. Importantly, the Bank of England will not be confronted by a change in the fiscal framework. This could prompt lower for longer interest rates.

"There could be clouds on the horizon for the UK economy if growth momentum is seen to have slowed, but broadly the economic context is relatively bright."

Gregor MacIntosh, CIO of Lombard Odier Absolute Return bonds

"David Cameron won't have missed the fact that UKIP suffered a disappointing election in terms of seats won; and the fact that he will have to manage the divisive impact of a dominant SNP north of the border. This combination relieves some of the pressure on him to move ahead wholeheartedly with an early EU referendum.

"Already UK capital markets - sterling and equities - have recovered some of the uncertainty that was weighing on them in the run up to this difficult-to-call election. Sure, the outlook is favourable for UK equities and sterling but Europe and the wider world will make most of the difference in the months ahead."

Adam Chester, head of economic research and market strategy at Lloyds Bank Commercial Banking

"The lifting of the political fog has prompted a sharp reaction in the FX markets. Sterling has spiked higher against both the US dollar and the euro. Sterling rose sharply when the exit poll was published at 10pm on 7 May, with GBP/USD rising to around 1.5450 and extending gains to above 1.55 as the results pointed to a clear Conservative victory. Government bond prices and the FTSE 100 have also opened higher. Within minutes of these markets opening, the FTSE 100 rose around 80 points to above 6,900, whilst 10 year government bond yields dropped over 10 basis points to 1.8%."

Colin Harte, senior portfolio manager and strategist at BNP Paribas

"The Conservative government has pledged to undertake a referendum on UK membership of the EU. However, with Prime Minister Cameron winning a majority in his own right, this should give him enough leverage to face down the more extreme euro-sceptics within his own party to conclude a sensible deal with the EU over the UK's relation with it. But the very act of holding a referendum will cause some concern in financial markets over the next 12-18 months.

"The previous Conservative-led coalition government had planned a significant fiscal policy tightening following the election, which would have focused primarily on public expenditure cuts and increased user charges. With this policy largely endorsed at the ballot box, a Conservative government is likely to implement most of its planned fiscal tightening of 5.3% of GDP by 2019/20. Overall, this planned fiscal consolidation should temporarily dampen GDP growth and prevent a further significant deterioration in the UK current account position, which already stands at 5.5% of GDP."

PRODUCTS AND SERVICES:

AXA IM rolls out new property fund

AXA Investments Managers (AXA IM) has launched a property fund in an effort to produce a return profile similar to that of direct real estate investment.

The new fund, christened AXA WF Global Flexible Property, will invest in both equity and debt and will provide investors with exposure to the long-term return opportunities of direct property.

The fund, to be run by AXA IM global head of listed real estate Frédéric Tempel in conjunction with a team drawn from AXA IM and its AXA Real Estate subsidiary, will target a 60% equity and 40% debt allocation.

AXA WF Global Flexible Property, which provides daily liquidity, is currently registered in the UK, Austria, Belgium, Denmark, Finland, France, Germany, Italy (institutional), Luxembourg, Spain, Sweden and the Netherlands and will be available in institutional and retail share classes.

Tempel said: "Mixing real estate equity and debt instruments in one liquid strategy is a relatively recent investment opportunity. The disintermediation of banks following the global financial crisis has created a much deeper market for real estate debt.

"Following this approach and investing in the full range of liquid instruments issued by property companies worldwide, we expect to mimic unlevered returns of directly held property and offer investors a more flexible option for investing in property."

RESULTS:

ABN Amro's private banking arm sees 70% jump in Q1 underlying profit

State-owned Dutch lender ABN Amro's private banking arm has posted an underlying profit of EUR87m for the first quarter of 2015, up 70% compared to EUR52m a year earlier.

For the quarter ending 31 March 2015, the unit's operating profit before tax surged 73% to EUR106m from EUR61m in the year ago quarter.

The unit's net fee and commission income jumped 19% to EUR159m from EUR134m a year ago. Net fees were mainly driven by higher client assets as a result of a favourable stock market performance and the acquired German activities.

The division's operating expenses rose 10% to EUR244m from EUR223m in the first quarter of 2014.

Overall, the group's underlying profit for the first quarter was EUR543m, up 44% from EUR378m in the prior year quarter.

ABN AMRO Group chairman of the managing board Gerrit Zalm said: 'We had a good financial start to 2015, with a Q1 net profit of EUR543m, the highest level of profitability in the past 16 quarters.

The underlying first-quarter net profit improved by 44% year-on-year and the RoE from 11% to 14% on the back of an increase in the operating result and lower impairments. Revenues increased by 9% compared with Q1 2014.

M&A:

Standard Life completes Pearson Jones acquisition

Standard Life has completed the purchase of British wealth manager Pearson Jones from Skipton Building Society.

Standard Life has bought 100% of the issued share capital of Pearson Jones, which operates with offices in Leeds, Sheffield, Bishop Auckland, and Reading.

Standard Life's new advisory proposition, named 1825, will deliver restricted advice. Advisers of 1825 will be restricted to using Standard Life's wrap platform.

Steve Murray, managing director of advice and strategy at Standard Life, will spearhead the life company's advice business as CEO.

"1825 shares a vision of helping build a more prosperous world. It's never been more complex for people to save, retire and plan for the future, so quality financial advice has become a must-have for many.

"By cutting through the complexity, we are aiming to help our customers better understand their financial situation to achieve their aspirations and goals," said Murray.

The acquisition of Pearson Jones will add assets under advice of £1.1bn to Standard Life, and 102 employees including 39 advisers and paraplanners.

RESEARCH:

Assets in ETFs linked to MSCI indexes reach record high of $418bn: MSCI

Assets in ETFs linked to MSCI indexes grew more than 12 percent in the first quarter of 2015, reaching an all-time high of $418bn, according a report by MSCI, a provider of research-based indexes and analytics.

ETF providers launched 56 products based on MSCI indexes during the period, three times more than the next index provider.

The surge in demand from ETF providers for MSCI Factor Indexes continued, with 11 new ETFs launched in the first quarter, two times higher than the next index provider.

These new ETFs attracted $4.4bn in assets, or 31% of the total asset flows into that category.

Other highlights:

- ETFs linked to MSCI Minimum Volatility Indexes, the industry's first low volatility benchmarks, reached a record $13bn in assets under management.
- Assets in ETFs tracking the MSCI USA Quality Index surpassed the $1bn mark.
- Global currency hedged ETF assets attracted $28bn in new assets, with half of those fund flows going to ETFs linked to MSCI Currency Hedged Indexes. There are now 68 currency-hedged ETFs globally linked to MSCI indexes, more than all other index providers combined.

Managing director and global head of products Baer Pettit said: "Following strong growth in the number of ETFs tracking our indexes in 2014, this year is off to a record-setting start. As the industry grows in size and complexity, we intend to maintain our position as the first choice of ETF providers who are looking for both leading-edge innovation and exceptional quality."

With over 730 ETFs tracking MSCI indexes globally, more ETFs track MSCI's indexes than those of any other index provider.

STRATEGY:

UBS collaborates with Mercer to expand manager research offering

UBS Wealth Management Americas (WMA) has struck a strategic relationship with institutional investment consulting firm Mercer Investments to expand manager research offering.

Following the alliance, UBS Financial Services' investment management research team will receive access to Mercer's 9,000 manager research opinions and performance analytics.

The new collaboration is expected to help WMA expand its existing manager research capabilities, which is a central part of the investment advice that financial advisors offer to clients.

UBS WMA head of advice and platforms managing director Jeff Miller said:

"With this strategic relationship, UBS WMA advisors and clients can be confident that our manager and strategy research coverage will be one of the most comprehensive in the US Wealth Management Industry.

"By working with Mercer, the industry leader in institutional investment manager research, we will expand UBS WMA's coverage universe of investments while multiplying the number of strategies on our high conviction list." ■

Riding the digital wave

As wealthy individuals increase their demand for digital channels and easily accessible information on their portfolios, beyond the traditional face to face meetings with relationship managers, private banks and wealth managers must evaluate their digital priorities to successfully keep up with client demands. **John Schaffer** talks to private banks in Europe to understand their digital journeys

The wealth management and private banking industry has gained a reputation for being behind in the digital innovation race in comparison to other industries. In a world where Apple and Amazon have made technology an expectation rather than merely an added bonus, the wealth management industry cannot ignore the general mega trend towards digital.

In the retail banking sphere, digital channels are gradually becoming more ubiquitous and in some cases even replacing the function of branches. However, the wealth management and private banking industry is traditionally associated with face to face contact where the role of a relationship manager (RM) is key when managing assets of large value, and advising clients on their portfolios. Clients also engage in personal contact due to the complex nature of some issues that they face, such as regulatory issues. Therefore the expertise of an RM holds much weight.

In comparison to functional retail banking digital channels, the private banking counterparts must demonstrate greater depth and breadth in their offerings in order to add real value for a high or ultra high net worth (HNW, UHNW) client. As opposed to merely checking balances and performing basic bank transfers, private banking clients want to view more detailed portfolio information, want access to granular data, as well as expect more sophisticated engagement capabilities such as financial advice.

A survey of HNWIs from Capgemini and RBC Wealth Management for the World Wealth Report 2014, reveals that 55.6% of European wealth management clients say that most or all of their relationship is conducted via digital channels and 61.5% expect their wealth management relationship to be further digitised in the future.

The World Wealth Report 2014 also suggests that 62.7% of HNW European clients would leave their wealth management firm, due to a lack of integrated channel experience. This figure is even more significant in regions such as Asia-Pacific (82.8%) and Latin America (87.1%).

The report also reveals that 50% of HNWIs under 40 would leave their wealth manager if there was no way to engage digitally. However, clients over the age of 60 are less likely to be swayed by a lack of digital offerings, with 20.5% saying that they would leave.

What's on offer?

Private banks in Europe are continuing to increase and fine tune their digital capabilities.

Lloyds Bank's private banking clients in the UK are able to use the group's main digital proposition, which is an extension of the lender's retail banking facilities. The offering is tailored for both desktop and mobile devices and allows clients to view their accounts, make UK and international payments and transfers, as well as stay informed of the bank's reward programmes.

Lloyds Bank has also introduced screen sharing and video conference technology, giving the private banking clients more choice when it comes to how they would like to transact with the bank.

In March 2015, Lloyds reported that £1.2bn payments and transfers had been made from private banking clients via digital channels.

Phil Allen, digital director for wealth and investments at Lloyds, tells *PBI*: "Approximately 40% of our private banking clients are digitally active, a 10% increase year on year. Customers continue to use a mix of face to face and digital channels, with mobile starting to gain more traction.

"In March 2015, 34% of logins were from a mobile device, an 84% year on year increase."

Barclays on the other hand launched a mobile banking application for its UK HNW clients in July 2014. The app is part of a web portal for private banking clients called "Barclays One".

The service allows clients a view of their holistic investment and banking accounts and holdings in UK onshore and offshore locations. The web based service also provides clients with wealth research publications and access to more general online banking features. Barclays One is actively used by approximately 5,000 clients, with 30% of private banking clients engaging via smartphone or tablet devices.

Barclays also uses biometrics technology for authentication of HNW clients.

Christian Berchem, managing director and head of the London region at Barclays Wealth and Investment Management, tells *PBI*: "Voice biometrics has been available for Barclays Wealth and Investment Management clients since June 2012 and is being rolled out to corporate and personal banking customers. Our global service centres now authenticate more clients through voice biometrics than any other means of security."

Boutique private bank in the UK, Arbuthnot Latham, launched its online banking service in 2004. It added mobile banking functionalities in 2014.

Andy Mattocks, COO and head of corporate development at Arbuthnot Latham, tells *PBI* that approximately 1,500 of the 3,500 client base are using online banking channels and around 25% of them are using the bank's mobile app.

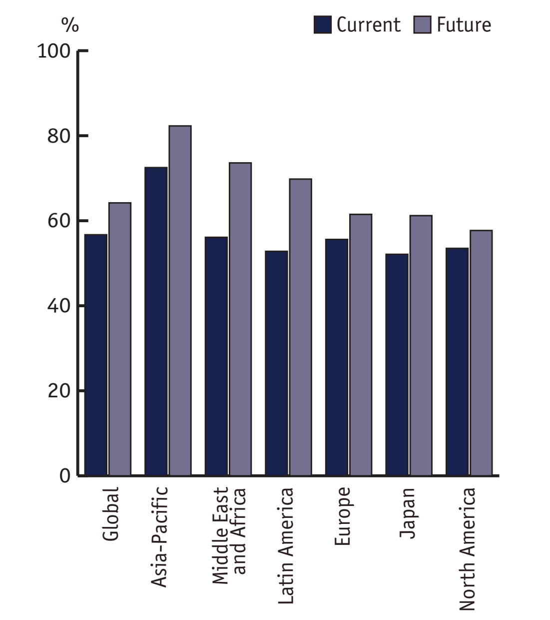
Arbuthnot Latham's digital offerings allow clients to view transactions, look at statements and carry out other basic e-banking functions such as standing orders. The bank also offers an investment portal, which allows clients to view their investment portfolio. However, clients are not able to make transactions on an investment basis.

The bank is also engaging with clients more via social media with 770 followers on Linkedin and 450 on Twitter. Mattocks tells *PBI*, "Social media is a mechanism for us to engage with existing clients, potential clients and people that are in our network that we know."

For France-headquartered Societe Generale Private Bank (SGPB), the transformation of its digital or customer interface is one of the three pillars of its all-round IT rejuvenation plan (the other two being about data storage of customer information and data analytics).

SGPB links all its products and services to the customers through a series of apps and the digital transformation journey entails the deployment of a sophisticated e-banking

HNWI'S CURRENT AND DESIRED LEVEL OF DIGITALISATION IN WEALTH MANAGEMENT, Q1 2014



Source: Capgemini and RBC

platform for wealthy clients so that they have the full spectrum of options to transact - "bonds, shares, forex, money market, whatever the asset class", head of Societe Generale Private Banking, Jean-Francois Mazaud, told *PBI* recently.

SGPB's e-banking app is particularly popular in France where there have been over 35m downloads.

SGPB Hambros, the bank's UK division, launched a new e-banking platform earlier in 2015. The service includes an improved Client Relationship Management (CRM) tool and an enhanced portfolio management system with more flexibility in accessing information such as portfolio valuations, positions and performances.

The bank is looking to launch further e-banking platforms internationally over 2015 and 2016, with an aim to complete a digital transformation project in 2017 for all of SGPB's locations. Mazaud told *PBI*: "Our digital transformation is a long journey and it will take a few years to be fully implemented but it is exciting and creating positive energy within the team."

Citi Private Bank currently offers a mobile app for Apple devices called "In View". The service, launched in February 2014, allows clients to view their portfolios in detail and analyse key metrics, alongside performing basic transactions through the app. The mobile app also gives Citi Private Banking clients access to various research articles related to their portfolios.

A significant feature of Citi's digital offerings is their onboarding toolkit. The bank plans to release a wet signature functionality, enabling clients to use their finger or a stylus to sign documents.

Tim Tate, director of client experience and innovation at Citi private bank, tells *PBI*: "It's a significant step forward from the days of turning up with a pile of documents and expecting clients to fill in their name and address 20 times just to open an account."

Citi were early adopter of mobile provisions for private banking clients. The release of the app comes as an update to the bank's private banking app, which was released in 2010.

Tate tells PBI that approximately 60% of the bank's private banking clients are registered for digital channels, with half of them regularly using the digital platforms. He adds that engagement is still "skewed towards desktop rather than mobile", but expects mobile usage to continually increase.

Swiss private bank Lombard Odier is also strongly riding the digital wave with its asset and investment management system, which was created in-house. Lombard Odier is now on the third version of its systems and the latest online and mobile banking app version is called G3.

The app is available for Apple devices and is a dedicated wealth management system, with the capability of accessing a large volume of data. It can carry out difficult transactions, such as cross border transactions for instance, within seconds.

Effect on RMs and client autonomy

Although technology innovations are driven by a desire to make clients' lives easier, the RMs at private banks and wealth management firms are directly affected by it. As a lot of their tasks become automated and the demand for more comprehensive digital solutions increases, the RM's role is going through a massive shift.

Citi's Tate says that tablet interaction is a tool that can actually benefit RMs, as it can improve the quality of advisory meetings with their clients.

"If you think back five years ago, you would turn up to a meeting and the most you would see in terms of technology was someone opening up a laptop and projecting a PowerPoint presentation onto a screen. When we started to look at tablets, it became clear very quickly that there was now an opportunity for two people to sit down together, interact with the information on the screen and pass the device between them. It felt like a much more collaborative experience."

However, Tate feels that the current impact of digital channels on the role of RMs has been modest, due to the difficulties surrounding legacy systems.

Going forward, he sees digital channels becoming more personalised, enabling clients to have more information during meetings with their advisors: "The client has the upper hand because they come into the meeting more prepared than they can today. By having access to all the information at any time, they can ensure they ask all the questions rather than the banker leading the conversation."

Although there is clear competition from new, online-only entrants into the wealth management industry, such as Nutmeg and Wealthfront, who are challenging the traditional, face-to-face advisory model, David Bruno, head of innovation and digital at UBS wealth management, says that RMs are still key while working with UHNWIs.

"To move CHF10,000 is pretty easy digitally. But to move a few million pounds across borders in a trust environment - if you've had a liquidity event as an entrepreneur and you're fully digital - you still typically use an advisor to make sure you're doing things right, at least at the checkpoint.

"In our client base, when we work across most of the countries in the world, the clients still need that human touch point and our digital channels enable the advisor to have a better discussion with the client."

With an increase in scrutiny centred around the private banking and wealth management industry, some clients have become far more self-directed with regards to their portfolio management. The World Wealth Report 2014, reveals that of the HNWIs who describe themselves as self-directed, 68.6% would consider moving to another firm if digital channels were not present.

However, Bruno says that he has not seen digital channels pushing clients to become more autonomous.

He says that although digital channels give clients greater experiences and content, clients have much of the same behaviours if they are engaged in long term investments. Tate, Citi, agrees, saying:

"Some of our clients will execute things themselves and be a little more autonomous than they are today, but they still expect to have conversations around their investments - either with the product specialists on the desks, the investment councillors or the bankers before they make their final decisions." ■

The 'IT' factor

Head of UK private banking for Lombard Odier, Dominic Tremlett, joined the Swiss private bank in 2011 in Switzerland. He moved to the bank's London office in 2013 and one of the features that "attracted" Tremlett to make the move was the Swiss private bank's investment in its IT infrastructure. Tremlett gives **Meghna Mukerjee** the details

Lombard Odier's work with its technology infrastructure is both extensive and impressive. The Swiss private bank that is owned by eight partners has created its own asset and investment management system, and the IT segment has become a 'third pillar' for the bank.

Approximately 200 people out of a total workforce of just over 2,000 are dedicated to the in-house IT development at Lombard Odier.

Head of UK private banking for Lombard Odier, Dominic Tremlett, says that over 30 years ago, it was one of the partners of Lombard Odier who "fully realised and acknowledged" the opportunities that IT systems used in wealth management throws up.

"He looked at everything available in the industry and decided that we needed to create our own system so that we can have controls over how it operates and as well as any upgrades it needs.

"It was a very big decision, but it was a positive one. It has given us advantages in the speed of reaction we can create. We know the system is dedicated to exactly what we want to do," says Tremlett.

There are myriad advantages of an in-house IT system, explains Tremlett.

"We control our system and can adapt quickly to changing circumstances, which in the current world is useful as everything is changing constantly in the private banking space.

"What we see from most competitors who don't have their own systems is the reliance on third parties. There is also a pecking order. If a supplier has 10 banking clients all coming to it at the same time for upgrades, there is a waiting list.

"Additionally, other banks end up with a collection of legacy systems that don't talk to each other. Especially if the client is international, it is difficult to pull all the information together from different accounts. The client ends up talking to half a dozen people, and more often than not, someone somewhere is putting together an excel spreadsheet that is prone to error. Several larger institutions have had to bolt systems together and they really struggle with it," he explains.

Sharing fruits of success

Tremlett says that besides the obvious profits that an in-house system reaps, it most importantly provides unparalleled "efficiency" levels, leading to much better client experience. The Swiss bank has also started to selectively work with third parties by way of providing IT systems for smaller banks and wealth managers.

However, Tremlett reiterates: "Let's be clear – we are not an IT vendor. We are a Swiss private bank and an asset manager – that is the core of what we do. It just so happens that we have a fantastic in-house asset and investment management system that we decided to share with others, to cover the costs as well.

"This enables us to continue developing our IT capabilities because we can share the cost of it with other banks, wealth managers, and family offices that we are providing the systems to.

"We are selective about who we work with – we don't want to lose our own competitive edge. But we have a great service so we won't be too shy to talk about it," he adds.

Ahead of the curve

Swiss private banks are often viewed as a tad bit old fashioned, however this "couldn't be further from the truth" he explains.

Lombard Odier is now on the third version of its systems. Its latest online and mobile banking app version is called G3. The app is available for Apple devices currently but there are plans to make it available to other devices in due course.

Tremlett highlights the fact that G3 is a dedicated wealth management system, not a retail or corporate system that has been tweaked or adapted for private banking, which sets it apart.

The G3 app has the capability of accessing a large volume of data and can carry out difficult transactions, such as cross border transactions for instance, within seconds. As Lombard Odier has envisaged its clients using this app largely while they are travelling and on the move, a lot of the attention to detail has gone behind the security of the app. The app doesn't collect data for the same reason, and has to be online to work.

Through the app, clients can access their portfolios that present current valuation as well as enables access to real time market data. As high and ultra high net worth individuals (HNWIs, UHNWIs) have bank accounts in several countries, clients have the option of choosing different currencies to access their accounts as well.

The app provides clients with portfolio breakdown by asset class – benchmarks, short term performances and longer term performances. The app can additionally be tailored for data and analysis purposes, giving the clients a deeper understanding of their portfolio. Clients also have access to exactly the same screen that their relationship manager (RM) is looking at, which is advantageous.

The app also allows clients access to a consolidated view of portfolios – as it recalculates the entire portfolio in seconds, making the process much easier, especially if there are various accounts in different countries to consider.

"Clients can get a global view of their portfolios, across geographies. The big advantage for the bank is that the main RM can oversee all of the client's portfolios and the client does not have to talk to many RMs.

"We are proud of the app. There is hardly anything available in the industry that is quite as detailed and interactive.

"We continue to monitor where the client demand is and get feedback on what's missing. That's also the advantage of having our own systems because we can fast-track any urgent changes required," says Tremlett.

Additionally, for large, multi-banked, institutional clients, Lombard Odier also offers a global custody platform.

Data and details

The vast amount of data and the level of granular information available on the G3 app is of particular interest to the Next Gen clientele, says Tremlett. "They want to drill down to the details. There are a lot of young entrepreneurs nowadays who fall within the HNW and UHNW brackets. We just have to keep up with the way these clients want their information.

"It was fine a few years ago to send paper statements by post monthly. Now it is not. As a private bank, if we don't keep up, we get left behind."

Having easy access to data also helps keeping costs of compliance under control, says Tremlett.

"All the banks have to update their IT systems at the same time to keep up with changing regulation, and to do it in a timely manner is tough. The compliance and risk teams at Lombard Odier, however, can easily extract data. They are not reliant on some third party producing the data for them."

Using social media more than it is currently being used by Lombard Odier is also in the plan.

"We see that the next gen clients especially are interested in accessing relevant pieces of research on twitter, for example. They want a quick burst of information.

"We are looking into how we can best make use of social media, as we have to be careful from a regulatory perspective about what information we put out there."

UK focus and fund launches

Beyond its home market in Switzerland, other important markets for Lombard Odier are the rest of its European operations as well as Asia, which is a "key growth engine" for the private bank.

The UK market is a particularly important one for the Swiss private bank.

In the UK, Lombard Odier is on track to double its assets under management (AuM) in the next three years.

"We intend to continue growing in the UK and we are investing in our business. We expect to hire three to four senior private bankers here in the coming 12 months. I would expect that trend to continue in the next few years."

In January 2014, Lombard Odier launched two funds with a risk-based approach for private clients, mirroring the strategy used on the bank's own pension fund in Switzerland.

Vantage 3000 aims to have a max drawdown of 10% and Vantage 1500 has a max drawdown limit of 5%. At the end of February 2015, they had a collective AuM of EUR330m.

This approach was being offered to some sophisticated institutional clients for a number of years, as well as Lombard Odier's own employees' pension funds.

While traditional approaches can overexpose investors to equity risk and may not be dynamic enough to cope with markets, Lombard Odier's aim is to keep clients' portfolios balanced and not expose them to more risk than they're willing to take with a diversified approach through these funds.

In October 2014, Lombard Odier launched risk-based mandates based on risk allocation. According to Lombard Odier, the risk-based overlay was developed due to client demand for exposure to the private bank's current investment ideas as a supplement to the Vantage 'risk-based' approach, which aims to mitigate losses over the economic cycle.

In general, around 80% of the portfolio risk is allocated to Vantage funds and 20% to trading ideas made by the tactical asset allocation committee. As of February 2015, the risk-based mandates had attracted AuM $140m.

Expertise and heritage

The primary strength that the private bank has, reiterates Tremlett, is the 200-years-plus history of being an asset manager.

"We have managed clients' assets for multiple generations. We have vast experience in managing portfolios.

"Several large multinational banks tend to offer all services to all people but we focus on what we are very good at. We want to be world class at that. Doing everything has its dangers," he says.

According to Tremlett, who was with Barclays for 22 years prior to joining Lombard Odier, the M&A trend in private banking is set to continue as the cost of operations keeps growing.

"Bank must have a level of scale to operate successfully. With the barrier to entry now being higher, industry consolidation will carry on," he says.

However, Lombard Odier's focus will remain on establishing long-term relationships with wealthy families and individuals.

"There has been strong consistency in the ownership of the bank and the partners have long-term plans in place for the business. That also makes us very focused. It's a much more considered approach for growth," adds Tremlett. ■

PBI announces finalists for Wealth Awards: London 2015

Private Banker International (*PBI*) has named the finalists for the PBI Awards: London 2015, held in conjunction with the PBI London Conference, that will take place on 3 June at the Waldorf Astoria

Private Banker International (*PBI*) has announced the finalists for the *PBI* Awards: London 2015. The winners will be announced at the *PBI* Awards: London Gala Dinner on 3 June 2015 at the Waldorf Astoria, London.

Now in its second year, the *PBI* London Awards, dedicated mainly to the UK and European markets, have been created to identify leading institutions that are setting new standards in the private banking and wealth management industry. These awards are an important extension of the annual *PBI* Global Wealth Awards.

This year, a record number of submissions came in and the shortlist of finalists underwent a rigorous selection process by the *PBI* editorial team. A total of 28 firms have been shortlisted across seven different categories. The winners for each of the award titles will be chosen by an expert panel of judges.

Meghna Mukerjee, Editor of *Private Banker International*, says:

"We commend the extremely high calibre of submissions this year and would like to express our gratitude to all those who devoted time and effort into nominating their institutions of choice. The UK, and Europe on the whole, are traditional, fast-moving and crucial wealth hubs, and these awards celebrate the best-of-breed players who are shaping this industry.

"We added two new award categories – 'Best Next Gen proposition' and 'Outstanding Philanthropy Proposition' – and both received a warm response, which highlights their importance in the wealth sector.

"The Awards function will be a great opportunity for industry participants to come together and celebrate achievements, network, and potentially hone their own institution's strategy and competitive positioning."

The Awards function is preceded by the *Private Banker International* Conference 2015 that brings together senior executives from financial institutions, private banks, wealth managers, family offices, asset managers and other industry participants from within the UK and Europe, in an active discussion of key issues currently facing the private banking industry.

The informative keynote sessions and panel discussions provide the perfect setting for industry experts to engage in effective dialogue. ■

The *PBI* Awards: London 2015 finalists are:

Outstanding Private Bank – London - Domestic Clients
C. Hoare & Co
Coutts
HSBC Private Bank (UK)
Societe Generale Private Banking
Winner 2014: Coutts

Outstanding Private Bank – London - International Clients
Barclays
Coutts
HSBC Private Bank (UK)
Winner 2014: Standard Chartered Private Bank

Outstanding Private Bank – Europe
ABN AMRO Private Banking
BNP Paribas Wealth Management
ING Private Banking - Belgium
KBC Bank NV (KBC Private Banking Belgium)
Societe Generale Private Banking
Winner 2014: BNP Paribas

Outstanding Customer Relationship Service and Engagement
C. Hoare & Co
Coutts Private Office
ING Private Banking - Belgium
KBC Bank NV (KBC Private Banking Belgium)
Winner 2014: ABN AMRO Private Banking

Outstanding Wealth Management Technology Provider
Appway
Avaloq UK
BNP Paribas Wealth Management
Objectway Financial Software
Ortec Finance
PROFILE Software
Winner 2014: Avaloq

Best Next Gen Proposition (New category)
BNP Paribas Wealth Management
ING Private Banking - Belgium
KBC Bank NV (KBC Private Banking Belgium)

Outstanding Philanthropy Proposition (New category)
BNP Paribas Wealth Management
JP Morgan
KBC Bank NV (KBC Private Banking Belgium)

Most Innovative Business Model – Editor's Special Award
Winner 2014:Coutts

Small is beautiful

Being modest in size is not necessarily a disadvantage for a private bank, especially if it services clients with significant assets. A more personalised service for wealthy individuals can be seen as a unique selling point for a smaller bank. **John Schaffer** speaks with Arbuthnot Latham CEO, James Fleming, as he discusses the private bank's strategy and growth plans

Arbuthnot Latham describes itself as a 'boutique bank', arguing that its small size gives its private banking clients a bespoke service that differentiates it from the larger players.

The bank, headquartered in London, has an assets under management figure of £666m ($1bn) for 2014, up 26% from the 2013 figure of £528m. Arbuthnot made profits of £3.6m in 2014.

With a client base of approximately 3.5k, the 180 year old bank has historically concentrated on UK clients. However, with the opening of a Middle-East office in Dubai in July 2013, the bank has increased its international focus.

James Fleming, Chief Executive Officer at Arbuthnot Latham, speaks calmly and assertively about the private bank's position in the market.

Fleming is no stranger to private banking, with 25 years of experience in the industry. He joined Arbuthnot Latham in 2012. He moved over from Coutts, where he held the position of head of international private banking and managing director of the UK entrepreneurs, landowners and inpatriates business. Prior to that, he was the managing director at SG Hambros UK.

With controversies shrouding the private banking industry over the past few years, Fleming feels he joined a bank that 'lacked' some of the difficulties of larger rivals.

"Arbuthnot Latham has always been run quite conservatively, with a small 'c'. Being small, it is obviously not in a position to take too many risks and as a result of that policy, it has navigated carefully through the financial crisis."

Fleming has had no intentions of rocking the boat at Arbuthnot Latham. His strategy has been to continue with the bank's focus, keeping aligned with its client base.

"The bank started as a merchant bank and over the decades it has become much more focused towards the high net worth (HNW) clients and their business activities.

"I didn't change that. I took that basic strategy and developed it further to have a clear focus on sectors where wealth is being created."

Well formed

Fleming feels there are numerous benefits of a boutique bank. "We can make decisions quickly. We do not have numerous committees that we have to go through to get an ultimate yes or no as to whether we can do something. Thus, we can serve our clients better."

Fleming adds that Arbuthnot Latham has had clients moving over to it from competitors due to dissatisfaction with service. He cites the frequent change of relationship managers (RMs) and slow decision making processes as reasons behind wealthy individuals migrating to Arbuthnot Latham.

Having a personal touch is certainly important for wealthy private banking clients and Fleming feels that these relationships are crucial for the bank. Fleming says the general target market of the bank has £2–20m in value, and it defines the bank's ultra high net worth (UHNW) client base as having above £20m in investable assets, with some individuals having significantly more.

According to Fleming, the client base is predominately made up of individuals who have created their wealth in their own right, rather than inheriting it.

The objective for Arbuthnot Latham is to continue growing, but not to become "industrial" in size.

"I'm a firm believer that small is beautiful, but I'd like to be a little larger than we are now."

Autonomy

The distrust towards banks post the financial crisis has contributed to several changes in customer behaviour, a predominant one being wealthy individuals putting their wealth managers under more scrutiny. Dissatisfaction has lead to HNWIs and UHNWIs moving their assets to other institutions rather than having blind faith in their RMs.

"A much greater fluidity of client movement has developed in the last four to five years. By that I mean, traditionally, a client would stay with a bank for a long time and if changes were made in strategy or RM, the client would generally just live with it and would move on. Now the clients will not tolerate any shortage of service."

ARBUTHNOT LATHAM AUM FIGURES

Year	AuM (m)
2014	£666
2013	£528
2012	£337
2011	£315
2010	£225

Source: Arbuthnot Latham

New frontiers

Although Arbuthnot Latham has traditionally been associated with a London-based clientele, it has acquired a number of international clients. "Obviously the UK in recent years has expanded its own market to have quite a substantial resident but non-domicile sector. We offer international private banking services to that community. The Dubai office opened two years ago. That's gone better than we could have hoped for in terms of establishing roots and building up momentum of growth."

In the UK, Fleming reveals that the bank is concentrating on other areas of the country, with a focus on Exeter in the South West and Manchester in the North West, though the London market remains its priority.

"It's not an obvious strategy for us to become less London centric, because actually, within the M25, there's an enormous market place for us. But it is the recognition that there are other important areas in the country, and that recognition may extend further in due course."

Favourable environment?

The recent UK General Election revealed a majority vote for the Conservative party and this has come as a relief for most of the private banking industry. Fleming reiterates his support for London as a financial centre, as he feels the UK has a transparent legal system and is politically stable.

"We obviously have a well regulated financial centre and I think we lead the world, in that sense, in terms of regulation. Clients know they will have protection, both legally and from a regulatory perspective. We have a strong and high level of expertise in London, relative to the rest of the world." ■

Welcome to the monthly instalment of news and views from PBI's sister company, WealthInsight – the leading provider of business intelligence for the wealth sector

Inheritance, Iran and Investors: What the summer holds for Middle Eastern HNWIs

The Côte d'Azur's double dose of the Cannes film festival followed by the Monaco Grand Prix has come to mark the beginning of a seasonal Arab–Europe migration, that is, when wealthy residents of the Arabian Peninsula move to their European abodes to escape the stifling heat of the summer. This migration is most notable in the number of ostentatious sports cars that idle through streets of London, Geneva and Paris during the summer months. Yet, behind closed doors, it is also a season of major spending in European capitals.

However, this 'season', profitable to many, might not be as lucrative in 2015 as in recent years. As wealth managers, financiers, retailers and hoteliers prepare for the annual influx, they might be disappointed. Here's why:

Inheritance

The traditional big spenders in summertime Europe have often been second generation Middle Eastern HNWIs. Indeed, Gulf countries have very youthful populations, for example, two-thirds of Saudi Arabia's 29 million-person population is under age 30. However, when it comes to HNWIs the demographics are very different (see table). The fastest growing age bracket in the Gulf's richest countries – Saudi Arabia, UAE and Qatar – is 51–60, the prime age for succession planning.

WealthInsight's latest Middle East report states "Over the forecast period [2015 – 2019], succession planning and philanthropic work in wealth management is expected to grow, as HNWIs look to give something back to society, and ensure efficiency in their family business". With this trend, many of Europe's summer residents could be kept at home as they are groomed for succession or to head the family foundation.

Tadawul

Otherwise known as the Saudi Stock Exchange, the Tadawul will open to foreign investors for the first time on June 15th. The debut could bring a summer of volatility to listed Saudi companies as the Middle East's biggest stock market finds its place among foreign investors. As a large portion of Saudi Arabia's wealthiest derive their wealth from the Tadawul (Prince Al-Waleed bin Talal, Sulaiman Al Rajhi and Prince Sultan, for example. All within Saudi's richest top 10) any volatility could put the brakes on summer excursions.

Oil

The wealth of many a Middle Eastern HNWI has been affected by the slumping oil price. During the last four years when oil prices have comfortably traded at around $100 per barrel, the HNWI population in the Gulf rose by 8.1pc to 185,816 individuals. However, WealthInsight's Business Strategies for Targeting HNWIs in the Middle East reports forecasts a growth of 4.1pc over the next four years, reaching 226,809 by 2019.

Iran

Sanctions reliefs are potentially only a matter of weeks away as the US–Iran nuclear deadline is pushed back to 30th June. Geo-political worries aside, Middle Eastern HNWIs will be concerned about the effect and economic resurgence in Iran will have on their own fortunes. Over $100bn is expected to be released from sanctioned assets alone.

Oliver Williams, Head, WealthInsight
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www.wealthinsight.com

HNWI POPULATIONS BY AGE GROUP, 2014

	UAE	Saudi Arabia	Quatar	Oman	Kuwait	Bahrain
40 and below	10%	5%	20%	5%	15%	10%
41-50	30%	25%	15%	20%	15%	0%
51-60	35%	30%	35%	15%	15%	10%
61-70	15%	25%	10%	30%	30%	55%
71 and above	10%	15%	20%	30%	25%	25%

Source: WealthInsight

La belle France?

With an incumbent socialist government and high levels of taxation, it would seem that France is a less favourable environment for wealthy individuals. However, WealthInsight data forecasts a growth in the high net worth population in the country. **John Schaffer** delves into the findings

It has been well publicised that the French economy has been going through a tumultuous period. The French President, François Hollande, has been the country's least popular leader to date with an 18% approval rating.

France suffers from high unemployment rates at 10.2%. In particular, the younger demographic have suffered the most as youth unemployment rose to 23.8% in 2014.

The lack of public confidence in Hollande's socialist government has come about due to a diminutive majority in parliament, paired with a perception of poor economic decisions.

The French economy has been largely stagnant as GDP growth fell by 1.8 % between 2011 and 2012, rising slightly by 0.1 % between 2012 and 2014. Some of the slowdown can be attributed to the country's poor export performance, with a $70bn difference between imports and exports. France's eurozone membership means that there is little manoeuvrability with currency.

France is the third-largest economy in Europe after Germany and the UK. Its public debt increased following the 2008 financial crisis to 94.8% of GDP in 2014, from the 82.4% seen in 2010.

According to data from the WealthInsight database, there were 563,675 high net worth individuals (HNWIs) in France in 2014, holding $2.2tr in wealth. It has been a challenging climate for the wealthy in France. WealthInsight findings show that HNWI numbers grew by 1.6% in 2014 (4.1% rise in 2013).

WealthInsight forecast that the number of HNWIs will grow by 24.7%, reaching 726,508 by 2019. The majority of wealthy individuals were concentrated in the country's capital, Paris. The Parisian HNWI population was 221,847 in 2014, accounting for 39.4% of all HNWI in France. Marseille had a population of 5,353 HNWIs in 2014, accounting for 0.9% of the total.

Dr Roselyn Lekdee, economist at WealthInsight, tells *PBI*: "The regional economic conditions in the Eurozone area certainly give a promising outlook for the French millionaires over the forecast period (2015-2019). As stronger growth in the Eurozone area, facilitated by the European Central Bank's £790 asset purchase stimulus programme, has partially paved the way for economic recovery."

The socialist French government has created a less favourable climate for the country's wealthy individuals, due to high levels of taxation and a largely anti-rich rhetoric. Hollande proposed a 75% marginal rate of tax on incomes above EUR1m during his election campaign, but the tax was not implemented.

France imposes a wealth tax on its affluent individuals. The "Impôt de solidarité sur la fortune" (ISF) or solidarity tax on fortunes, has six bands going up to a 1.5% rate on assets above EUR10m. However, there have been arguments that the tax has squeezed middle income families due to rising house prices in the country. The first ISF tax band is between EUR800,000 and EUR1.3m.

Middle income households may have to pay an annual charge on their property, without having substantial income to handle payment. French citizens can be disgruntled about privacy, as full disclosure of all assets is required for wealth assessment. This includes jewellery, cars, wine cellars, besides property.

The ISF wealth tax has been nicknamed, Incitement de Sortir de la France—an incitement to leave France. The heavy tax sanctions on wealthy individuals in the country have lead to some high profile wealthy individuals choosing to leave France.

Actor Gérard Depardieu moved across the border to Belgium before obtaining Russian citizenship. Bernard Arnault, the chief executive of luxury group LVMH, had reportedly considered a move to a Belgian nationality. The concept of a wealth tax is not largely popular within the EU. There had been a proposal of a mansion tax in the UK by the opposition party, Labour. However, they failed to overthrow the Conservative government.

The largest industry sector for HWNIs in France was financial services and investments, with 32.2% of wealth being acquired via this source in 2014. For a country synonymous with culture and style, the retail, fashion and luxury goods sector was the second largest source of HNWIs' wealth.

France is home to internationally famous brands such as L'Oreal and Chanel and in 2014 the industry accounted for 9.9% of wealth acquisition for HNWIs. The richest individual in France, Liliane Bettencourt, is worth $35.7bn and attributes the majority of her wealth to being one of the principal shareholders in L'Oreal. The second wealthiest individual is LVMH's Arnault at $33.8bn.

Other notable industries include technology and communications with 8.3%, media with 6.4% FMCG with 5.8% and manufacturing with 5.8% in 2014. Although the WealthInsight findings indicate growth in HNW numbers, the uncertain political climate in France may prompt wealthy individuals to leave the country. The growth in popularity of the far right party, the Front National, could be unnerving for many HNWIs as political extremism could have negative effects on the attractiveness of the French economy.

Lekdee adds: "The economic conditions alone could promise larger number of millionaires in France. However political factors and internal affairs could indeed hinder the growth prospect of future millionaires in the country." ■

FRENCH HNWIS – CITIES, 2014

Rank by HNWI Population	Number of HNWIs, 2014 (Thousand)	Percentage of HNWIs, 2014
Paris	221.8	39.40%
Marseille	5.4	0.90%
Lyon	3.9	0.70%
Toulouse	3.1	0.60%

Source: WealthInsight

FRENCH HNWI HOLDINGS GROWTH (%), 2010–2019

Asset Class	2010–2014	2015–2019 (forecast)
Alternatives	6.50%	27.60%
Real estate	6.50%	26.00%
Cash	-2.70%	27.20%
Fixed-income	4.20%	29.60%
Equities	34.40%	76.90%
Business interests	15.00%	34.70%
Total HNWI Assets	13.10%	42.30%

Source: WealthInsight

Let's talk technology: monthly update

Giving private banking a stroke of elegance

While private banks embrace digitalised trends in front-end services, there is a need for integrated and sophisticated front-end tools according to wealth management platform provider AG Delta. **Sruti Rao** speaks to Rob Saly, the firm's chief product officer, on the gaps that still need to be met for relationship managers to effectively serve their clients

While certain industry challenges will always remain, the key to success in private banking is leverage on them for future developments, instead of eradicating them completely. Rob Saly, Chief Product Officer at AG Delta, elaborated on this in the context of the ever-present industry challenge of compliance.

The role of technology in dealing with compliance issues can be pivotal, particularly in finding a clearer pathway to understanding the investment risks of the clients, says Saly.

"One of the key factors is cost. Previously banks could afford hundreds of back-office people. But when your infrastructure and organisation's cost goes up, you have to automate. Europe did that 15 years ago, and now Asia, especially markets like Singapore and Hong Kong, are starting to bring in this transformation."

Saly, who has been with AG Delta since June 2014, adds: "Compliance drives the budget. If you show a trading platform that helps with compliance, banks are more responsive.

Empowering the RM

Despite rising technology investments within private banks, there is still a difficulty in integrating systems for relationship managers (RMs) to be equipped with the right information to advise their clients.

In lieu of the customised and sophisticated standard of service that HNWIs in Asia are expecting, AG Delta says that using effective technology to provide a mobile interface, and thereby enabling RMs to deliver the right investment advice to the right clients, is the need of the hour.

With over 30 years experience in the investment banking industry having worked with UBS, Merrill Lynch, and Vontobel before joining AG Delta, Saly adds that the effectiveness of systems for the front-end is imperative in order to make any positive impact to the client experience

He says: "No bank will want to throw away what they invested in. We have that layer that connects your core systems with multiple assets platform that links to compliance and risk. It optimises the whole process and allows RMs to not only see the investment ideas, but also immediately see which clients are suitable to these investments, and execute (the trade) immediately."

The platform provider focuses on the integrated and hi-touch capabilities of its technology to address the issues of 'inadequate service standards and compliance costs' that are currently disrupting the private banking industry.

Developing look and feel

In a service oriented industry, the sophistication and presentation of the front-end interphase has an important impact on the client experience. Saly highlights that the look and feel of the service platform aesthetically enhances its value to the client, and there is opportunity for private banks to develop this aspect in their applications.

"In comparison to social media, why do banking applications have to look standard and boring? We can try to break that with technology. Bringing the touch of grace and elegance to the technology, thanks to the know-how, I work with my innovation team to bring the sophisticated look and feel to the technology."

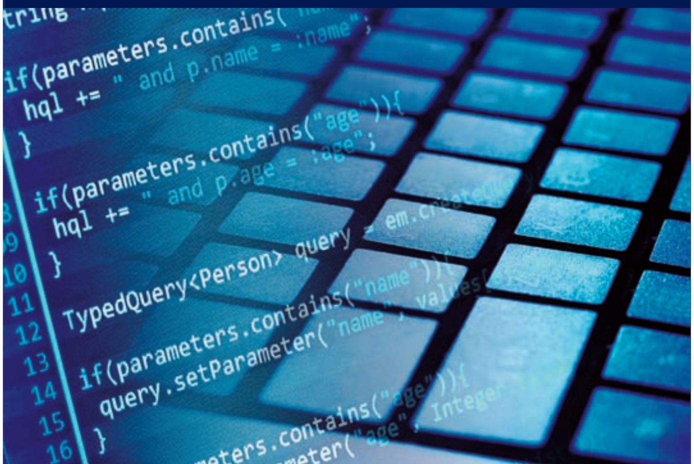
Big partnership – big impact

As part of the firms efforts to create a larger impact in the wealth management space, AG Delta recently announced a partnership with technology firm Contineo, along with a consortium of investment banks including of Barclays, BNP Paribas, Goldman Sachs, HSBC, JP Morgan, Société Générale to build an open network for the sale of structured products to provide transparency and efficiency in the asset sales.

Perceived as the 'iTunes of structured products' by the firm, Saly sees promise in this platform moving across asset classes, and adopted by an increasing number of member banks and competitive platform providers, to truly create industry impact.

"We provide the platform and infrastructure, so when Contineo wants to expand this to other asset classes, we can readily do that. The real power of this platform for the end user actually comes by expanding the open network, even with our competitors," he explains. ■

Tech Headlines



ABN AMRO adopts Temenos WealthSuite for its international private banking operations

IDB Bank selects FolioDynamix wealth management technology platform

Digital wealth management entrants are here to stay: EY

PKB Privatbank selects SunGard's Ambit Private Banking solution suite

Envestnet acquires wealth management tech firm Finance Logix

The latest in regulation

A monthly round-up of the big regulatory announcements that impacted the private banking and wealth management industry across the globe

UBS asked to pay $200,000 to investor for Puerto Rico fund losses

A Financial Industry Regulatory Authority (FINRA) arbitration panel has reportedly ordered Swiss banking giant UBS to pay $200,000 to an investor for losses incurred by its Puerto Rico closed-end bond funds.

Securities arbitrators held two UBS units liable of alleged securities fraud, misrepresentation and other misdeeds, according to Reuters.

The investor, Yolanda Bauza, had claimed between $357,000 and $625,000 for her losses in a filing seeking compensation in 2013, the report said.

Several of the Puerto Rico funds sold by UBS were found to be highly concentrated in the debt of the Caribbean island's government and related entities.

Few funds lost half to nearly two-thirds of their value between March 2011 and October 2013.

A UBS spokesperson told Reuters: "UBS is disappointed with the decision to award any damages, with which we respectfully disagree."

The arbitrators did not provided reasons for their decision and denied UBS' request to remove details about the case from the public records of two UBS Puerto Rico brokers, who were involved in advising Bauza, the Reuters report added.

Jeffrey Sonn, a lawyer who was not involved in the arbitration, but represents other investors in cases against UBS, said: "The case is significant because it will make UBS re-evaluate how they value these cases for settlement. It puts UBS on notice that they are at risk for significant awards in favour of Puerto Rico investors."

StanChart gets SEBI approval to offer offshore investment advisory services

Standard Chartered Bank has secured approval from the Securities and Exchange Board of India (SEBI) to provide advisory services on regulated offshore products in markets outside India.

The approval will enable the banking major to offer advisory services in stocks, bonds and mutual funds in markets outside India.

"SCB can advise on regulated offshore securities and investment products, which are in the nature of marketable securities issued by a body corporate or a corporation under their Investment Advisory license under Sebi's Investment Advisers Regulations," the regulator was quoted as saying by NDTV Profit.

The lender stated that several clients of the bank possess offshore accounts funded through remittances done through the liberalised remittance scheme or offshore derivative instrument routes.

The bank said that these clients need advice on investing some of these balances in offshore securities.

"As a client solution therefore, we in our capacity of being Investment Advisors, would like to offer advisory services on regulated offshore products like offshore stocks, bonds and mutual funds... This service will be a purely advisory service, consistent with the IA Regulations. The client will execute trades as per the banking arrangement he has offshore.

"In case he has an account with overseas Standard Chartered Bank, there will be a separate execution desk in the respective jurisdiction (outside India) that the client can directly instruct to execute orders," commented the bank.

FINRA induces stricter penalties against fraudulent conduct

The National Adjudicatory Council (NAC) of Wall Street's self-policing body, the Financial Industry Regulatory Authority (FINRA), has unveiled new Sanctions Guidelines introducing stricter penalties against securities brokerages and individual brokers who commit fraud or violate suitability rules.

The revised Sanction Guidelines, effective immediately, advise FINRA adjudicators to consider barring an individual respondent, or expelling a firm for cases involving fraud.

The revision has also increased the range of the suspension for individuals, who violate FINRA's suitability rule to sell products that are not suitable to retail investors, from one year to two years.

In addition, FINRA's new guidelines will in increase the amount of monetary sanctions by indexing them to the Consumer Price Index (CPI).

The adjustment, retroactive to 1998, will apply across the board to the highest ends of monetary ranges that FINRA sets for various types of violations.

FINRA will continue to use the CPI to readjust its monetary sanction guidelines every three years.

Fed bars five ex-Credit Suisse private bankers from banking sector for aiding tax evasion

The US Federal Reserve has barred five former private bankers and senior managers of Credit Suisse from the banking sector over their role in tax evasion.

The employees include Markus Walder, Marco Parenti Adami, Susanne Ruegg Meier, Michele Bergantino and Roger Schaerer.

The five have been indicted over defrauding the US government by helping wealthy Americans dodge federal income taxes through the creation and maintenance of bank accounts, which were not declared to US tax authorities.

Walder supervised teams of private bankers in Switzerland and Credit Suisse's New York representative office.

Adami, Meier, and Bergantino served as private bankers and offered banking and investment advice to US customers with undeclared Swiss bank accounts. Schaerer, who served as the bank's senior representative in the US, ran the New York representative office.

The Federal Reserve said that continued participation by the five employees with a depository institution "would impair public confidence in the institution."

The restriction on the five employees will be effective indefinitely until the dismissal of the criminal charges brought against them.

Praxis, IFM merger gets regulatory nod

The merger of Guernsey-based Praxis Group and Jersey-based IFM Group has secured the go-ahead from regulators, which will lead to the creation of an independent and owner-managed financial services group named Praxis IFM based in the Channel Islands.

Following the approval, the trust operations will be renamed as PraxisIFM Trust in Guernsey and Jersey, and as PraxisIFM Trust in Switzerland.

Guernsey-based Praxis Treasury Services will be rebranded as PraxisIFM Treasury Services, while the New Zealand and UK companies will be rebranded as PraxisIFM Trust and PraxisIFM Trust & Corporate Services.

Malta's trust operation will eventually be renamed as PraxisIFM Trust. The names of the other operations will be unaltered.

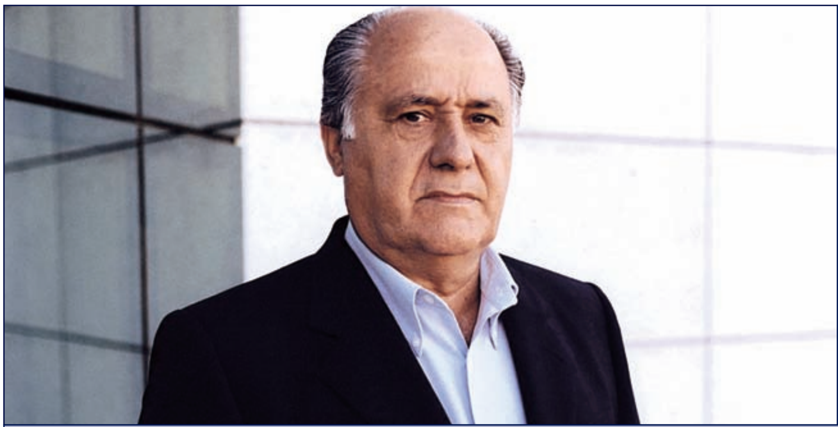
PraxisIFM executive chairman Brian Morris said: "The name changes for the trust companies are designed to bring together our corporate and private client offerings, which are now available from an enhanced range of jurisdictions, under the new PraxisIFM group."

The new group will continue to focus on offering private client services, fund administration, corporate and trade services such as cross-border facilitation, asset finance, pensions and treasury operations.

It will comprise a group-wide board of directors, led by Morris and CEO Simon Thornton.

Liquidity profiles

PBI has teamed up with sister company WealthInsight to provide monthly liquidity events that have piqued the interest of its analysts. This month, founding chairman of the Inditex fashion group, **Amancio Ortega Gaona**, and President and Chief Executive Officer of Varian Medical Systems Inc, **Dow R Wilson**



Amancio Ortega Gaona

Barcelo Corporacion Empresarial S.A. (Barcelo Hoteles & Resorts), a hotel operator, has signed an agreement to acquire a 42.5% stake in Occidental Hoteles Management, S.L., an operator of chain of hotels, from Amancio Ortega and Banco Bilbao Vizcaya Argentaria, S.A. (BBVA), a provider of financial and banking services. All companies involved in the transaction are based in Spain.

Amancio Ortega is the founding chairman of the Inditex fashion group.The transaction is subject to approval from the competition authorities in Mexico.

Profile:

Amancio Ortega Gaona (Ortega), known as Amancio Ortega, is the founder and member of board of Industria de Diseño Textil S.A, a textile manufacturing and distribution company in Spain.

Inditex became one of the largest textile companies in the world. In 2001, it was floated on the Bolsa de Madrid stock exchange, with a pre-IPO shareholding of 85.39%, which made Mr Ortega one of the wealthiest men in the world. Since the IPO, he has divested his shareholding to 59.29%.

The two investment vehicles of Mr Ortega, Pontegadea Inversiones SL and Partler are the real estate development and investment companies, through them; he owns commercial properties in Europe and United States. He also owns a stake in Spain-based Grilse, which owns the Casas Novas equestrian center in Spain and other commercial properties. He is the owner of Deportivo de La Coruna, a professional football club. He also owns Epic Residences & Hotel, a condo-hotel being constructed in Miami, Florida.

Full Name: Mr. Amancio Ortega Gaona

Known As: Amancio Ortega

Gender: Male

Citizenship: Spain

Languages: Spanish, English

Liquidity Event: 4 May 2015, Barcelo Corporacion Empresarial S.A. has signed an agreement to acquire a 42.5% stake in Occidental Hoteles Management, S.L

Dow R Wilson

Wilson Dow R, President and Chief Executive Officer of Varian Medical Systems Inc, the US based company operating in the pharmaceuticals and healthcare sector, has sold 18,760 shares, representing 0.0182% stake in the company.

The shares were sold at a price of US$93.5 each for gross proceeds of US$1.75 million.

Profile:

Mr. Dow R. Wilson has been the Chief Executive Officer and President of Varian Medical Systems, Inc. since September 29, 2012. Mr. Wilson served as the Chief Operating Officer and served as Corporate Executive Vice President of Varian Medical Systems Inc., from October 2011 to September 2012. He served as a Corporate Executive Vice president of Varian Medical Systems Inc., from August 2005 to October 2011. Mr. Wilson served as the President of Oncology Systems and Corporate Vice President of Varian Medical Systems Inc. from January 10, 2005 to August 2005.

Wilson joined Varian in 2005, after a 19 year career with General Electric.

He holds a B.A. degree in English and business from Brigham Young University and an M.B.A. degree from Dartmouth''s Amos Tuck School of Business.

Full Name: Mr. Dow R Wilson

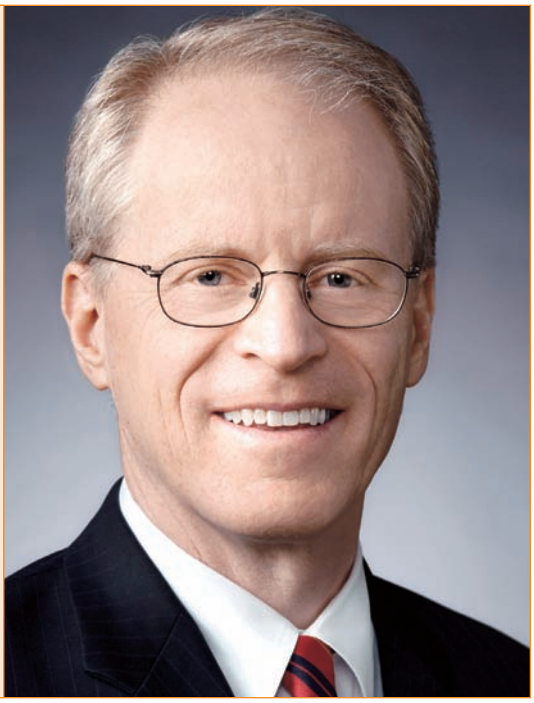
Known As: Dow Wilson

Gender: Male

Citizenship: United States of America

Languages: English

Liquidity Event: 17 Apr 2015, sale of 18,760 shares, representing a 0.0182% stake in Varian Medical Systems Inc.



People moves

This month, Lord William Waldegrave of UBS Investment Bank became the chairman of trustee business at Coutts, and Himanshu Mehta, MD and head of domestic corporate group, India, at BNP Paribas, became the MD and CEO, India, for the bank. Here are the big people moves that have recently made news

PEOPLE MOVES

	Name	Moved from	Moved to	Old position	New position
Hong Kong	Samir Bimal	BNP Paribas	BNP Paribas	Managing director and CEO, India	Managing director and head of Indian markets
Hong Kong	Himanshu Mehta	BNP Paribas	BNP Paribas	Managing director and head of domestic corporate group, India	Managing director and CEO, India
USA	Miles Milton	Hancock	Hancock	EVP	Chief wealth management officer
USA	William Stromberg	T Rowe Price Group	T Rowe Price Group	Head of Equity	Head of global equity and global research
Switzerland	Dominik Issler	Legg Mason	Old Mutual Global Investors	Director and regional head	Head of DACH distribution
USA	Douglas Eu	Allianz Global Investors	Allianz Global Investors	Asia Pacific CEO	US CEO
Switzerland	Eric Morin	J. Safra Sarasin	Union Bancaire Privee	Chief executive of Singapore office	Head of its Asian operations
USA	Kevin White	American Realty Capital Properties	Deutsche Asset & Wealth Management	Senior vice president in investment strategy & research	Director and head of investment strategy, Americas
Jersey	Lord William Waldegrave	UBS Investment Bank	Coutts	Vice chairman	Chairman of trustee business
USA	Brian Hull	UBS Wealth Management	UBS Wealth Management	Head of strategic clients and partnerships, US	Americas' Client Advisory Group head
Switzerland	Daniel Furtwangler	Coutts	EFG International	Head of private banking international and Swiss onshore	Managing director, member of the senior management team - Continental Europe
Jersey	Will Thorp	Standard Bank	Standard Bank	Chief financial officer for offshore group	CEO of Offshore Group
Switzerland	Michael Vlahovic	Coutts	EFG International	Member of the general management committee, Russia/CIS	Managing director for private banking in Eastern Europe and Russia
UK	Peter Cazalet	JPMorgan	UBS Global Asset Management	Client and business development	Executive director for UK business development
UK	Quentin Marshall	Coutts	Weatherbys Private Bank	Head of Advisory, Investment Services	Deputy Head of Private Banking

A sticky investment

It often comes as a surprise to many people that rare stamps and coins could offer a strong investment case, potentially providing both security and capital growth.

In today's digital, 'sound-bite' world, stamps and coins are often dismissed as the preserve of old men pursuing an antiquarian hobby – but that's like dismissing horses ever since they were replaced by the car as the primary method of transport. Back the right horse on the right track and it can make you a lot of money.

Rare stamps and coins can be a serious, alternative investment option that offers diversification and protection from the uncertainties of the stock market, according to a recently published report.

The Alternative Investment Report (AiR) from Intelligent Partnership posits that investing in collectibles not only provides diversification of assets but that in terms of growth and consistency, they have outperformed traditional mainstream investments before, during and since the financial crash of 2008/09.

And contrary to the belief that rare stamps and coins appeal only to a diminishing band of elderly collectors, demand for 'passion assets' – which includes anything that is tangible that people take pleasure from owning - is actually soaring, particularly in Asia and the emerging markets which are seeing a growing middle class.

The AiR looks at the pros and cons of investing in collectibles but concludes that stamps and coins can offer the prospect of strong capital growth and returns as well as being a potential safe haven.

One reason they provide safety, is because rare stamps and coins are driven by supply-demand economics and mainly underpinned by affluent collectors. Because you can't print any more Penny Blacks or mint ancient coins, they remain unique and cannot be substituted. As stamps or coins disappear from the market and new collector-investors seek out the asset class, this inverted curve of supply and demand naturally pushes the price up higher.

This is shown by Stanley Gibbons indices, which provide a snapshot of the market and are listed on Bloomberg Professional terminals and Thomson Reuters. They show that over the past decade the annual growth rate of investment-grade coins has been 12.6% and stamps 11.3%, outperforming the FTSE 100's 4.3%.

It finds that interest from China and India has helped fuel this healthy growth. Around two-thirds of the world's 60 million collectors are in the Far East according to a UPU (Universal Postal Union) survey. Stamp collecting was actually banned in China under Chairman Mao as being 'bourgeois', but the country's emerging middle class is now keen to own a piece of its heritage and it is estimated that there are nearly 20m serious collectors in China.

According to The Hurun Wealth Report 2012, 64 per cent of Chinese millionaires invest in luxury goods, with rare stamps being particularly popular. In 1989, the value of stamps listed in the China Market Study was US$550,500; in 2012 it was US$6,911,100.

The growth in Asia, coupled with demand from wealth managers seeking differentiation for their clients, has led to Stanley Gibbons creating a Cayman-domiciled rare stamp fund for launch in Hong Kong and Singapore. The Fund, the first of its kind, contains some of the greatest philatelic (stamp) treasures ever assembled and provides structured and compelling access to this asset class.

They may be 'off radar' but with HNWs seeking alternatives for portfolio diversification and intra-generational wealth planning, could do worse than review an investment in 'passion assets' for a small portion of their portfolio. They offer true diversification, their value has tended to rises with inflation and buck other market downturns, they can offer strong capital growth, and they are a non-renewable asset – they will always be rare and will only get rarer. Plus, you end up owning little pieces of history, whether that's the world's first stamp, the Penny Black from 1840, or a gold Roman 'Aureus' from the time of Julius Caesar.

***Keith Heddle** is the managing director of Stanley Gibbons*

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