WHAT TO EXPECT IN PRIVATE BANKING/WEALTH MANAGEMENT HIRING IN 2018

Authored by OGiQ

OGiQ is Options Group's catalyst for growth, providing recruiting and strategy professionals with unique, value-added advice, products and human talent management solutions for our clients. Distilling intellectual capital from raw research and over 16,000 interviews conducted each month across the firm, OGiQ produces advanced analytics, proprietary tools and information essential to our executive search and consulting businesses. Externally, OGiQ partners with our clients to provide real time competitive intelligence and benchmarking for all aspects of their businesses.

WHAT YOU'LL FIND INSIDE:

INTRODUCTION

Private banking enjoyed a relatively quiet year in 2017 which allowed it to focus on trimming costs while focusing on technologies to deliver greater service. In 2018 this will be different. Soaring stock markets pushed assets under management up to more than $17 trillion worldwide and the industry slashed its average cost-to-income. However, private banking and wealth management still face a huge strategic, challenge: adapting their business models focus from multigenerational wealth to new wealth creators who tend to be entrepreneurial and non European. In our extensive conversations with key market participants the importance on greater investment in digital technologies has been required not only to comply with anti-money laundering rules but in order to remain relevant due to rapidly changing demographics and different and demanding client needs. Low interest rates, less trading activity by clients and the growing shift into low-cost passive funds all pose threats to revenues. Several of Europe's top private banks are expanding their activities in the UK, shrugging off uncertainty over

Brexit to capitalize on growth in the UK's increasingly attractive market for advising rich people on their money. This contrasts markedly with the bleaker sentiment among investment bankers, many of whom are gearing up to shift jobs and assets out of the country to avoid being cut off from their EU clients after Brexit. Britain's private banking market has also benefited from Switzerland's decision to abandon its traditional commitment to banking secrecy, shifting the balance for many offshore clients in favor of the UK. The UK private banking and wealth management industry has enjoyed a 60% increase in total assets under management in the past three years and several banks are hiring more relationship managers and developing the market.

EUROPEAN PRIVATE WEALTH MANAGEMENT HIRING TRENDS

1 = High Activity 2 = Moderate Activity 3 = Mostly Replacement Hires
4 = No Activity 5 = Headcount Reductions Likely

	Senior RM	Investment Advisor	Credit Specialist	Team Heads	Head of Private Banking	Risk/ Compliance
Benelux	2	4	1	3	4	1
France	4	5	1	4	1	1
Germany	1	2	1	3	2	1
NRI	1	1	1	1	2	1
Italy	2	2	1	2	4	1
Middle East	1	2	3	2	4	2
Netherlands	2	2	1	2	2	1
Nordic	1	2	1	2	2	1
Spain/Portugal	2	2	1	4	4	1
Swiss Onshore	1	2	1	1	1	1
UK	1	2	1	2	2	1
Africa	1	2	1	1	2	1

THE SCOPE OF THINGS TO COME IN 2018

Today, different business models in the wealth management industry have competing bids for a limited talent pool. Size and dominance can vary by region and market but they all have talent acquisition, development and retention at the top of their agendas. In order to tap into the immense potential of USD 69.6 trillion by 2021, many of these will have to consider rethinking their current business models as well as their approaches to talent management. Holistic wealth managers in particular will become more important in the next ten years gaining ground at the expense of the traditional wealth manager, whose business is product-based and geared toward the management of financial assets. Independent wealth advisors with significant market share in their respective markets already operate successful business models but are confronted by high fixed costs, due to rising regulatory and technology requirements. These firms face increasing talent churn in 2018. Only very few banks, largely universal banks backed by a global footprint, cheap funding, and low capital costs will be able to prevail with their diversified model. Niche players, such as boutique finance houses that have specialized in client-segment-oriented advisory services in wealth management will also face challenges in 2018 especially with respect to talent retention. Boutique finance specialists will face the challenges of technology advances and have to address talent shortages in their ranks. Family offices also whose core business is serving a small number of UHNW families are also likely to encounter talent challenges. Holistic wealth managers will continue to win market share in their quest to deliver genuine added value for wealthy clients as new technologies and client affinity for digital solutions have given them a competitive advantage.

Private Wealth Management Business Models

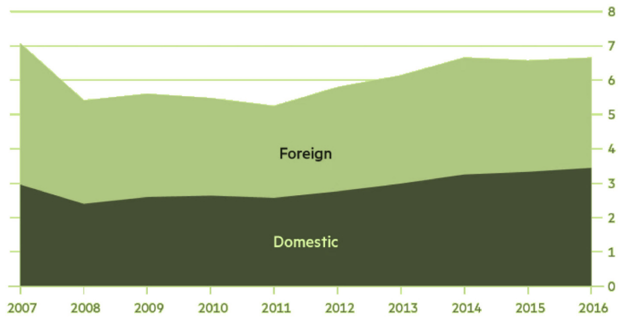
DIVERSIFIED PRODUCT SPECIALISTS	INDEPENDENT WEALTH ADVISORS	TRADITIONAL WEALTH MANAGERS
FAMILY OFFICES	BOUTIQUE FINANCE HOUSES	HOLISTIC WEALTH MANAGERS

EXISTING BUSINESS MODELS

NEW BUSINESS MODEL

The slow death of the Swiss private bank has been vastly exaggerated. However, enormous pressure on margins will continue to adversely impact the less efficient and less competitive. Switzerland still dominates the business and continues to be a haven for talent and capital. While many bankers we speak to in Switzerland are optimistic, they recognize that gross margins in the industry have fallen 12 per cent since 2010. Banks in Switzerland last year employed 121,000 people — about 15,000 fewer than a decade ago but the nature and types of these jobs are changing and a huge push into digitization in Switzerland is creating a whole slew of new jobs especially in Fintech. Even though, according to the Swiss Banking Association 226 out of 261 banks in Switzerland made a profit last year — which means 35 racked up losses, there still remains an upbeat feeling about the changing nature of the business and Switzerland's commitment to be a strong player on the Global Private Banking stage. In Europe, Switzerland’s refusal to join the EU has disadvantages for its banks which they are overcoming. Cross-border business could potentially be hit hard if the UK’s exit from the EU encourages a tougher stance by Brussels on third country access. To survive, some smaller, less well known banks have focused on a particular niche group of clients. Others have voluntarily ceased business. A few have been taken over.

AUM in Switzerland
(By customer origin (SFrtn)

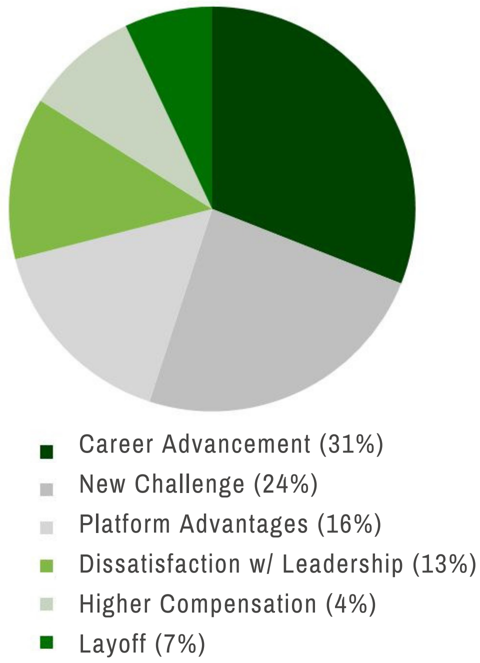


Source: FT

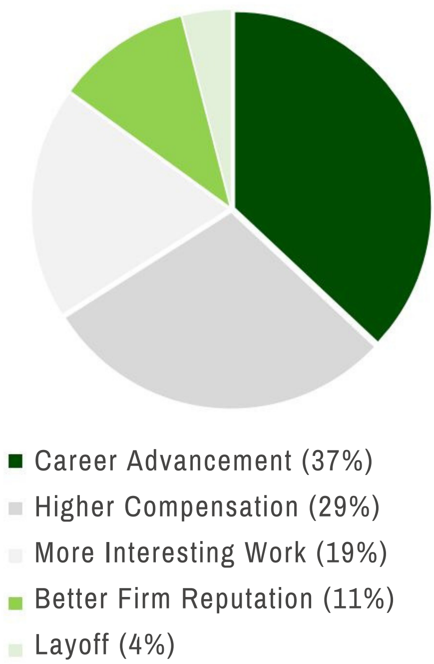
In all models, agility has fast become a key differentiator that requires small, focused, cross-functional teams comprising business, IT, operations, risk, compliance, and finance specialists who are all synchronized on key business objectives. This approach often fosters better relationships among the various functions and better employee engagement. Relationship managers (RMs) have been but may not necessarily have the most technical knowledge. In the face of rapidly changing markets the role of the Relationship Manager is also changing. From acquiring and serving clients, providing financial advice to clients, and executing administrative tasks for the client, the next-generation of RM must possess more technical knowledge to be able to adapt proficiently to the dynamic, high-tech investment tools that are mainstream today and second nature to Millennials. New certification programs tailored to the RM function will be developed, complementing such degrees as the MBA and the CFA. The RM role will move beyond acquiring, administering, and reactively advising clients into such areas as leveraging advanced analytics and artificial-intelligence tools to offer highly responsive solutions to a broad variety of client needs, both financial and lifestyle-related. Accordingly, RMs will need to blend technological literacy with sales techniques in order to identify the products and services that clients are most willing to pay for. The best RMs will have the people skills needed to understand the motivations, risk aversion profiles, and pain points of customers and will also need to apply judgment, intuition, and lateral thinking in times of increased uncertainty and volatility..Adopting innovative digital technologies models are critical strategies for senior management teams. Fintech firms, for their part, have provided a fresh and disruptive perspective on innovation, serving as catalysts for the acceleration and commercialization of digital change. Yet most wealth managers have so far pursued digital innovation only as a feature selection exercise, centering on what their existing technology can provide along with what competitors and fintech firms may intend to offer. In order to make a true step change and leap- frog the competition, wealth managers need to shift their approach to digital technology and design advanced, high-impact client journeys front to back creating the best in class of the client experience.

The impact of MiFID II on private banking and wealth management will be significant both in terms of costs and human capital resources required to correctly implement. There will be big implications for hiring the right individuals to ensure correct implementation and execution. Firms are focused on meeting its requirements as well as its unknowns and are adopting largely a pragmatic approach. While correct resourcing remains critical, a committed business-lines and executive engagement is equally important. The challenges facing wealth managers include

Primary Reasons for Making a Move (Managing Directors)



Primary Reasons for Making a Move (VP/Directors)



changes to operating models and reporting on costs and charges. This will force a review of operating models for efficiencies.

Cost containment is one of the biggest challenges for many firms. This is not just due to the operational complexity of consolidating and calculating costs incurred but also the implications of disclosing costs that may appear more expensive than peer firms, at a time when there is increasing focus by regulators on value for money and specific MiFID II obligations to consider costs when providing advice.

The challenge is further exacerbated by the additional European regulation, for example the PRIIPs and Insurance Distribution Directive as well as the FCA's proposals. These regulatory rules apply similar yet slightly different obligations on firms in relation to costs and charges disclosures.
Global players and firms working within and outside of the European Economic Area will also be closely scrutinizing the direct and indirect impact of MiFID II on their non-EEA businesses. There are challenges in the uncertainty of how different countries will implement the requirements. The uncertainties themselves are in some instances resulting in global operating model changes.
Firms with European presence where commissions on sales are significant must review their services to determine whether changes are required in order to meet the quality enhancement criterion. In terms of investor protection, while a thorough suitability process addresses the client interaction aspect, firms will have to capture more data to meet all their reporting obligations, and will be under greater scrutiny to adopt robust processes and record keeping compliant with both MiFID II and the General Data Protection Regulation. Needless to say, the impact of MIFID II will be extensive.

PRACTICE LEADERS

Simi Schaerer, Executive Director

Simi is an Executive Director and manages Options Group's Zurich office. She has been in Zurich since 2002, and focuses on Private Wealth Management and Private Banking mandates. Currently, Simi covers senior mandates in Continental Europe, the Middle East, UK, India, and Latin America. She began her career with the Oberoi chain of hotels and helped the firm set up their corporate marketing system across India. Simi attended St. Stephen's College at Delhi University and graduated with an Honors degree in Economics.

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Richard is a Partner, Chief Growth Officer and Head of OGiQ at Options Group. Richard has originated and executed search and competitive intelligence assignments for major investment banks, hedge funds, asset managers and alternative investment firms around the globe. In addition to Richard's responsibilities for client relationships and search execution, he is also the Global Head of OGiQ. Richard is responsible for the Firm's Strategy and Corporate Development Function, Firmwide Marketing, and Talent Analytics. Richard was CEO of Futures International and also served as Senior Client Partner at Korn/Ferry International.

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