

# **Evrard Bordier on applying** a ‘know thyself’ principle in investment strategy



**Evrard Bordier, CEO and managing partner of Swiss private bank Bordier & Cie is the fifth-generation member of his 174-year-old family firm. Based in Singapore, he speaks with Hubbis about his bank’s approach to client relationships, why it is moving away from an advisory-based model, as well as the reason why smaller boutique banks with smaller assets under management may have a distinct advantage over larger institutions**

## Executive summary

Bordier says that the future will see the existence of small boutique banks alongside the largest ones; and shares his opinion on why mid-size enterprises simply will not survive. He also believes in moving away from advisory-based models, and that clients, if offered a value proposition that is razor-sharp, can be amenable to performance-based, rather than transactional, fees. He also believes that blockchain technology can be the future of the financial industry, but answers the million-dollar question: so why aren't banks themselves ready to get into it?



**S**WISS PRIVATE BANK Bordier & Cie approaches client relationships with analytical precision. The bank's CEO and managing partner Evrard Bordier believes that identifying what is truly important to a client can help them discover unconscious traits they might not have realised about themselves, or perhaps had not been able to articulate. He speaks of archetypes' when he discusses client profiles, these identified by means of a questionnaire, which clients complete during the onboarding process.

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"The answers will give you different sets of archetypes," says Bordier, "Which, in themselves, will need different management styles, enabling us to better customise an investment strategy for the client."

Bordier gives an example: "One of these is the Consumer archetype, something that is commonly seen in certain regions of the world, one who works very hard and likes to reward themselves with the spending power accorded to them by their hard work."

"And, for this archetype, you'd want to focus not on the returns of the portfolio, but on the yield," he says. "For this client, we might apply a yield strategy which invests in fixed income instruments and high yielding assets."

### Being 'Product Agnostic'

Bordier & Cie operates on an open architecture platform, offering bespoke and personalised services to

its clients. Unlike other establishments, the bank does not sell in-house investment products, which can sometimes carry embedded fees. Rather, it remains 'product agnostic', and acts independently to source investment options.

### Moving away from Advisory-Based Services

The bank plans to shift away from an advisory-based model because, Bordier says, "We're talking mostly about solicited business, which is soliciting the client to trade on certain investment products, which is what most banks do."

The bank is currently experimenting on a more efficient alterna-

tive to the advisory model: "A client can be both discretionary and non-discretionary." He explains "these are not mutually-exclusive, per se. We have built a system that allows us to have discretionary clients with a non-discretionary abilities."

"Whatever the client decides is either within the discretionary portfolio, because the bank agrees to it, or it is on the execution-only platform, because the client decided to do it," Bordier continues.

One of the advantages of this, Bordier observes, is the increased ability to navigate the complexities of industry regulations and cross-border transactions in serving their international clientele. However, he stresses, his bank is not completely out of the advisory model.

Bordier believes that many banks get wary - instead of relying on transactional revenue - of relying on performance fees, and persuading clients to pay for advisory, due to having to meet basic

### Getting Personal

Evrard Bordier is the fifth-generation member of his family's bank Bordier & Cie, founded in 1844. He is based in Singapore and enjoys travelling and discovering different cultures and ideas.

The Bordier Group is the official sponsor of the Under The Pole III "The Twilight Zone" deep-sea expedition, as part of its commitment to improving knowledge of the world's ocean environments in order to preserve and protect natural resources, as well as to understand the challenges arising from climate change.

operational costs upfront. "Your IT costs are millions of dollars. Your staffing costs, your premises cost - it's very difficult to have something that is only performance-driven when you cannot control the markets."

Having a structure where basic costs are met is important but, he says, "You cannot continue doing things the old way, if you want to have a value proposition that is razor-sharp," he says. "In three years, it will become apparent that people are willing to pay for performance."

### Competing Against Industry Giants

How does Bordier & Cie compete against the behemoths of the industry such as UBS when outlining its investment process philosophy?

Bordier is confident that his bank's customised archetype mapping structure sets it apart from the larger players, as well



EVRRARD BORDIER  
Bordier & Cie

having as a strong Asian-biased fixed income element.

Also, with Bordier & Cie's stance on moving away from advisory-based services, he says of his clients' discretionary mandates: "Every decision, every investment we propose, we take full responsibility for it."

### **Other Advantages**

What else can Bordier & Cie offer its clients; for example, in terms of consolidation of assets?

"We also have the ability to manage assets custodied elsewhere," says Bordier. "This is possible for our private banking clients because it is one of about 10 to 15 Swiss banks which have automated systems in place to obtain a limited power of attorney on the client's account in another bank, necessary to access the data via the SWIFT system."

### **Survival of The Biggest - And the Smallest**

Bordier & Cie, with assets under management (AUM) of below CHF20 billion (USD20.2b) is a

small boutique enterprise compared to the heavyweights of its industry with AUMs of above USD100 billion, such as UBS, or LGT Group.

Bordier sees this as an advantage. "We're profitable, and we're doing fine, being very, very small," he says. Bordier believes that the future of the wealth management industry will see the survival of the very big enterprises and the small ones, such as Bordier & Cie. "Those in the 20 to 100 billion mark may be in the danger zone," he cautions.

Why? "Because you need the infrastructure of a very large player, but you don't have the AUM of a very large player."

"Essentially, above USD25 billion you have the compliance infrastructure of a very large bank, but you don't have the AUM of a very large bank. You are following best-of-class norms because you are also supposed to be best of class. But you don't have the ability to do so. So your cost-income ratio is too high."

"When the figures from your bank's private banking division does not amount to a significant percentage of its global revenue, it gets sold off to larger institutions, such as UBP. Coutts' Asian business contributed to only a small percentage to its global numbers," he says, referring to the 2015 sale of the private banking and wealth management business of the venerable institution, to Union Bancaire Privée.

"So I think that's why the large players, who may not have carved a significant space for themselves in Asia, prefer to sell those off," he continues. "And now, in that space, there are not many banks left. There's VP Bank, there's us and a few banks in Switzerland. So it's either you go large, or you go

for a very boutique bank." "And we see it: we're profitable, and we're doing fine. So, the future can expect the very big players, the ones with AUMs above USD100 billion, and the small ones, the boutique banks like us."

### **A Sustainable Front Office**

Bordier outlines his bank's present priorities. "We need to build a more sustainable front office. As we look to streamline and expand our capabilities, we'd like to add more senior staff with relevant experiences to the team."

He says of good managers: "These are people who have the ability to understand their client's issues, or lives. And often people don't. We're not just there to do asset management - that's just one aspect. But when talking to a client, to be on a one-to-one with a billionaire: if you're not a millionaire yourself, it might be a challenge, at least in the beginning, to try and speak the same language."

### **What does Bordier & Cie do to encourage people who can have that type of conversation to join them?**

"There are two things," Bordier says. "First, we provide an entrepreneurial environment where Relationship Managers can strive. An environment that is lean, where everyone can challenge the status quo, can change the bank to make better and more efficient. Our employees can make changes within a certain framework."

Currently, this is nearly impossible in large institutions, where policies are decided by headquarters or processes. Such bureaucratic hurdles are less pervasive in smaller firms, so it's more rewarding when you're able to take the reins and more responsibility in your individual role.

“Secondly, for senior bankers, we provide them with an ability to see a future after their retirement. Instead of moving out and taking a retirement package, we offer them a way to remain connected to their client and us, thereby providing them and their clients with a more meaningful transition. And that’s where we have a small advantage. But I must say it’s no easy task,” he adds.

**Staying responsive with outsourcing**

The second priority for Bordier & Cie is ensuring that it has a structure that is easily adaptable to change. This involves a restructuring of its processes and the outsourcing of non value add businesses. “For instance, our IT is now partially outsourced to Lombard Odier. That means that I can be assured when there’s a new regulatory

change in Singapore that it will be implemented efficiently and without a glitch. Because they are under the same licensing as us, they have to deal with the same changes. This gives me the flexibility to focus on the client.”

**Blockchain Technology ‘A Game Changer’**

Looking to the future, Bordier also believes that blockchain technology will be the game changer for the banking industry. “That would be quite transformative,” he observes. “It’s not really just the investments in cryptocurrencies; that’s just one element of it, it’s really more the ability to use a different technology to custodise assets, which is still today based on a really old system.”

He says current blockchain technology is still not as secure as present systems. “The current financial systems involve a lot of paperwork.

They may be very complex, but they are very secure.” However, he predicts that blockchain can bring huge cost efficiencies with it, along with speed.

As for the obvious question as to why banks aren’t really getting into blockchain themselves, he says many people in the financial industry without IT backgrounds may face challenges understanding the actual rationale and programming that goes into current blockchain technology.

“People don’t understand it. Big players are putting a lot of money into it, but we need to understand the programming behind blockchain to apply its potential utility and hopefully make it a true gamechanger instead of just another buzzword.”

“Once the custody of assets has been tried and tested at the institutional level, blockchain technology might just pave the way to something quite exciting.” ■

