

Lombard Odier's Asia Pacific CEO explains his recipe for private banking success



Vincent Magnenat is Limited Partner and CEO of Asia Pacific at Lombard Odier. He recently met with Hubbis editors to set out his vision for the future of the firm in Asia. During the interview, it became clear that he is intent on assembling the right ingredients for the bank's wealth clients in Asia and to ensure the bank's culture and longevity are emulated in its Asian operations.

Executive Summary

Vincent Magnenat, Limited Partner, and CEO of Asia Pacific at Lombard Odier, has been consistent with the strategy that he and his colleagues devised shortly after he headed up private banking in 2013. The bank does not seek to provide every service to its clients, either offshore, or through its growing onshore practice. Instead, the 222-year-old firm focuses on family services and investments in Asia, both of which are growing solidly amidst the rising personal wealth of Asia Pacific's high net worth (HNW) community.

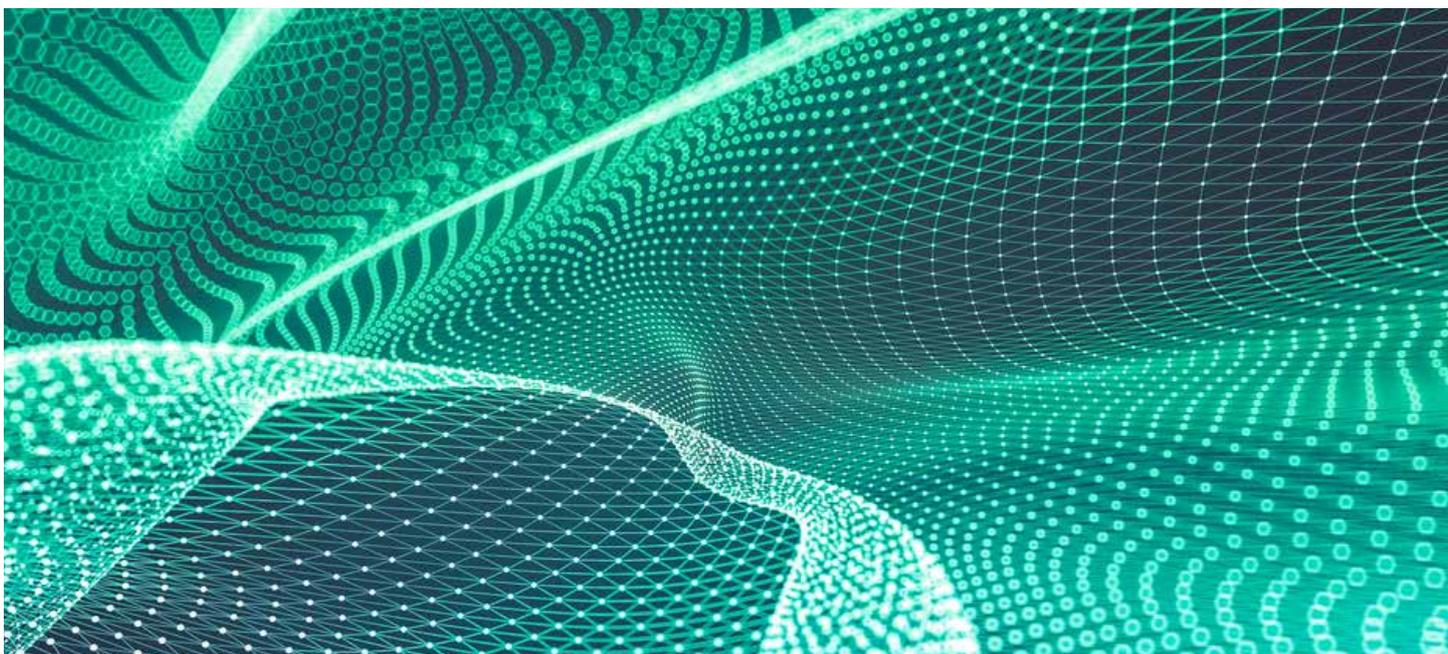
The Swiss-headquartered private bank has survived and prospered for more than two centuries by cultivating and maintaining a long-term vision that, Magnenat believes, fits seamlessly with the longer-term perspective that the bank's clients and their families should have of their wealth, as the generations evolve.

To build on the bank's two core practices – investment and family services – it has the stability of four key pillars. These include the expansion of the private banking expertise, both in terms of numbers and skills, the creation and expansion of the bank's onshore partnerships in Asia, the building of the bank's external asset management penetration, both onshore and offshore, and the winning over of more discretionary investment management mandates from clients that hold their assets outside Lombard Odier.

The backcloth for the management mission Magnenat has set the bank in the region comprises several elements. First, the dramatic growth of HNW numbers and their ever-greater demands for high quality, consistent service from their private banks. Secondly, global and local regulation are changing the way wealth managers must approach the onshore and offshore markets.

Thirdly, the drive to bring more HNW money back from offshore and to keep more money onshore is accelerating the need for greater sophistication and globalisation of the onshore wealth markets in Asia, hence the partnerships Lombard Odier has been creating with leading financial institutions.

Lombard Odier's history and culture fit ideally with Magnenat's personality and style. He believes they also fit perfectly with the trends he and his team see in Asia's wealth management market as it matures and begins to emulate some of the characteristics of the more mature markets where Lombard Odier has built its reputation and brand.



WHEN NOT IMMERSSED in what is a highly demanding and challenging role at the more than 200-year old Swiss private bank, Magnenat has a passion for cooking. Similar to his culinary skills, Magnenat's role as CEO for the region demands that all the best ingredients are in place and perfectly assembled in order to achieve the best outcome.

Magnenat, in close cooperation with colleagues in the bank's Swiss headquarters and in coordination with his Asia Pacific team, has been carefully assembling the bank's strategy for Asia since he joined as CEO Singapore five years ago.

"We remain true to the vision that we devised and elucidated some years ago and that we are putting into practice with commitment and dedication," he reports. "All the

for the long-term is the right one," he adds, "and that we have the correct vision for expansion here as well, where the bank has not been so well-known, of course."

Magnenat explains that the bank does not aim to be all things to all clients in the region. "We have two core offerings here," he explains, "which are the high net worth family services practice, and our investment services practice." In both of these areas, the bank is expanding its presence across the region.

Two practices – Investment and Family Services – being built on four pillars

Magnenat also notes that to build these two core practices, the bank has four key pillars. The first of these pillars is the expansion in terms of both numbers and quality of the private banking operations in

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elements of our activities here in Asia are maturing and expanding and we are well positioned to build for the future and to provide our clients with the best outcome for the services we provide.”

True to a long-term vision

Magnenat and team are also careful to remain true to the more than 200-year culture and history of the bank. "Lombard Odier is no stranger to instability," he notes. "Having prospered as a private bank for 222 years, the bank has forged a path for its clients through numerous local and global financial crises, as well as through a multitude of geopolitical or natural disasters."

He believes this capacity for endurance and longevity are enormous strengths. "They demonstrate that the strategy on building

Singapore, Hong Kong and Tokyo. The second is the drive to expand the bank's partnerships with leading onshore financial institutions in the region, in order to participate in the rise of the onshore wealth management business in Asia.

The third pillar is external asset management, the building of the bank's discretionary business, as clients move more and more of their assets to the professional supervision of the bank's experts.

And the final pillar is the initiative to increase assets that are held outside the bank - with other leading private banks, for example - to discretionary mandates with Lombard Odier.

Trends driving trends

Magnenat gives his insights on what he sees as the key global

Key Priorities

Vincent Magnenat, Limited Partner, CEO for Asia Pacific at Lombard Odier, has three core priorities for the year ahead. They are:

Building both the number and quality of private banking relationship managers in the firm's three Asia centres in Singapore, Hong Kong and Tokyo. Magnenat knows finding top talents will not be easy, but he believes there are RMs in the industry who will be a fit for the bank's history, culture and objectives;

Cementing the relationships with existing partners in the region for onshore private banking. Since 2014 the bank has forged three key partnerships in Thailand, the Philippines and most recently Indonesia; and

Creating new partnerships in Asia Pacific to benefit onshore clients as they seek a greater range of global investment opportunities offshore, as well as bringing the sophisticated offshore private banking methods and consistency that Lombard Odier represents.

and regional trends in private banking. "Regulatory proliferation and the concomitant demands on the way wealth management is handled is the first point to note," he explains. "This brings great challenges, but we also believe it is creating great opportunities in the way which services are offered in traditional offshore banking



VINCENT MAGNENAT
Lombard Odier

centres and the value that advisers can provide. Secondly, onshore private banking is becoming more important globally and this is also a growing trend within this region.”

Magnenat also observes that Asia’s wealthy clients are gradually becoming less hands-on in the control of their financial investments. “There is a clear trend from our perspective that Asia’s HNW clientele is generally becoming more sophisticated in their expectations, that they are gravitating towards the private banks that can really help deliver the type of performance and services that they expect.”

He explains that what he calls the bank’s ‘holistic approach’ to its clients requires patience, dedication and a great effort to understand the clients. “We are not here to deliver quarterly profits,” he comments, “we are here to endure, as we have done for the past 222 years. The beauty of our discretionary portfolio management business is that it fits the clients’ needs and is a sustainable business over the years, as our mission is to be there for the next generation of clients from each family. In Asia we have more than 60% of client assets under DPM mandates, so we can fairly

accurately see where the revenues are coming from, and this is a trend we are aiming to emulate in this region.”

A solid bank that focuses on client needs

Magnenat believes the bank needs to focus on its core areas of expertise. “We offer a platform through which clients can trade, and we offer advice, but we are not a bank that is pushing products. It is DPM where we believe we truly deliver value.”

Globally, he reports that the bank has around USD281 billion in total client assets of which some USD150 billion is private client money and the rest from institutional clients and banking technology services. “We believe we are bringing an institutional mindset to our private clients,” he notes, “helping them achieve performance with a medium to long-term perspective on the markets and a careful attention to returns and risks.”

He also highlights that the bank is not only long-established, but it is also highly safe. “We are safe in our approach and secure in our financial stability, which is very important for our clients. We have a strong Tier 1 capital ratio 26.5% and a AA minus credit rating, which is as high as a bank can achieve if it is privately held, as we are.”

Building on rock, not sand

The capital management strategy is designed to enable the long-term view. “We are safe because we have a long-term perspective

that helps our clients and their families over the generations, we do not measure ourselves by short-term performance metrics, we have no obligation to public shareholders. We have been working with generations of families for more than 200 years, it is the very core of our proposition.”

This credo is shared across the bank. In a recent interview with Hubbis, Lombard Odier’s CIO for Asia, Jean-Louis Nakamura, explained how the bank is determined to grow the discretionary investment management business by convincing clients to entrust more of their portfolios to the bank’s professional asset management team to act with total professionalism and objectivity.

And in a separate interview with Hubbis, Lee Wong, Lombard Odier’s head of family services practice for Asia, explained that the bank is highly focused on

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further building the family offices aspect of the proposition.

She also highlighted how the bank’s practice focuses on this business with a very wide-angle and very personal view. The team sees the alignment of wealth planning, family governance and philanthropy and Lee believes that regular and effective communication is the key to effective family wealth transitioning, and the realisation of what should be a medium to long-term strategy that families should adopt for wealth preservation and inter-generational legacy building.

Onshore: where much of the future lies

Magnenat's vision for the expansion of the onshore banking business was conceived soon after he joined, and the first partnership was carved out in 2014 with the leading Thai universal bank, Kasikornbank.

"The concept," he clarifies, "is to bring value onshore, without the need to be physically located onshore. To achieve this, Lombard Odier delivers customised solutions that local players need to be competitive within their own marketplace."

The onshore strategy from the outset has been predicated on the view that the onshore wealth management business in Asia will grow rapidly as the local banks and advisory community become more sophisticated, as the clients demand more from their onshore service providers.

Moreover, Asia's governments are increasingly aiming to mobilise more funds onshore by offering tax amnesties on the return of those funds from offshore. And regulators are making moves to keep more retail and HNW money onshore through the liberalisation of their financial markets to allow for a far wider and more global range of investment opportunities.

"We have sought out major financial institutions that would be willing to commit to developing their own private bank onshore franchise while relying on our global investment offering, which is very different from what is available in the rest of that onshore market," Magnenat elucidates.

Sharing visions, sharing revenues

"We began in Thailand with KBank in 2014 and that is proving a model for us in the region," he adds. There are more and more

markets in Asia that are now receptive to this approach."

Aside from the positive and productive partnership in Thailand with KBank, Lombard Odier followed up with a partnership with UnionBank of the Philippines in March 2017. Further building on these two relationships, Lombard Odier in April this year partnered with Indonesian state-owned universal bank, PT Bank Mandiri, again to attract more offshore funds.

Under the partnership, the bank through its subsidiary, Mandiri Wealth Management, now offers a more diversified and sophisticated range of investment services to attract asset repatriation and to service the growing ranks of Indonesia's HNW investors at home.

"Both Lombard Odier and Bank Mandiri have mutual objectives and a similar approach," Magnenat reports. "They want to develop their onshore wealth management business and we want to develop our business in Indonesia, which is a very exciting market. This latest partnership fits with our regional strategy, for example according to a report, the top 20 private banks in Asia manage less than 20 per cent of HNW financial assets, with the remainder sitting with local banks."

He also explains that this partnership will be shaped somewhat differently from Thailand and the Philippines due to local regulations. "Mandiri, in this case, will handle the full discretionary mandate and investment management, but these will be carefully aligned directly to our investment philosophy. There is a lot of money onshore in Indonesia and we do not see that flowing out, so bringing a more global perspective and range of opportunities fits ideally to that market."

Building the best

He adds that for each market a key priority must be for the partner bank to cement, or attain, a position as the leading private banking or wealth management provider in their country. "That is certainly the case in Thailand and Indonesia."

It is important also, he says, to note that the partnerships are not JVs. "Each partner is independent and separately staffed, this is an alliance, not a JV, we mutually boost each other's presence in each market and share the revenues generated."

The drive to increase onshore and offshore EAM is on track to achieve the results that the bank expects. "As I mentioned the third pillar for us is external asset management," he explains, "and the onshore partnerships are part of our drive to encourage more of our existing and new clients to pass responsibility for their portfolios - in whole or in part - to us for professional management."

The fourth pillar of Magnenat's plan for the bank is the non-deposit assets business. "We believe that more and more clients will pass the management of their assets to us, even if those assets are not deposited with us," he said. "For example, the individual might be a private client of a large private bank but they do not have any, or all, of those assets in a DPM mandate and they might prefer to have us handle some or all of those assets, thanks to our risk-based approach and system-enabled investment strategy."

Lombard Odier is a global custodian so it already holds assets for clients that use other institutions to manage some of those assets. "Here I am talking about very large portfolios, not assets of a few million dollars," he explains. "It makes sense for those clients to diversify and I see considerable potential in

this area for expansion in the onshore and offshore markets in the region.”

Magenat’s three core priorities for the foreseeable future including expansion of the numbers and quality of relationship managers, delivering value and consistency in existing partnership arrangements and the creation of new partnerships elsewhere in the region.

People make this business

“We have discussed the partnerships,” he notes, “but I would like to clarify our views on the expansion of our RM team. In brief, anyone joining us must fit with the bank’s ideology of private banking. Their main objectives and way of going about business must be aligned with our long-established value proposition. We do not expect to hire fast, as the type of relationship manager we seek is not easy to find, but as we are careful and clear in our objectives we do expect to continue to hire well.”

Looking into his crystal ball, Magenat sees the expansion of onshore private banking over the next decade, during when the skills and sophistication of the onshore providers will gradually rise to similar levels now seen offshore.

He also sees the increasing need to provide pure advice. “Everywhere people have access to information,” he explains, “but to me, advice must first begin by having access to different opinions on that information. So, in our industry we must continually engage with and challenge the clients, to make sure that they understand the information they have, that they have the best strategies in place, that they react appropriately to the changes taking

place. Giving advice without properly understanding the mentality and views of the clients will not achieve what the client needs and will not achieve the value-add of what we can bring to the table.”

Closing the discussion, Magenat comments that he is not unduly concerned about the rise of technology. “We see this as an enabler, not as a threat,” he says. “The beauty of a bank like

Lombard Odier is that we have a deep culture and long history; both have taught us to ride change and adapt.

Ultimately this is a people business and I believe will remain so in the future, we will continue to need new generations of talent. The industry will be different in the decades ahead, of course, but it will survive, and we believe this bank is well positioned to remain a vital part of it.” ■

Getting personal

Lombard Odier’s Asia Pacific CEO, Vincent Magenat, has been heading the private bank’s operation in Asia since 2013. He hails from Brienne in Switzerland and grew up near Lausanne. Early in his career he took an apprenticeship with Winterthur Insurance, which in 1998 was bought by Credit Suisse.

“I began with Credit Suisse with wind in my sails,” he recalls, “As they were very eager to expand into insurance. My career with them brought me to Singapore, which was an exciting and challenging step.”

Some years later Magenat was appointed a managing director at Societe Generale and in 2013 was headhunted into Lombard Odier as its Asia head of private banking. He was subsequently promoted to CEO of Asia Pacific and became a limited partner of the firm.

“I am a round peg in a round hole,” says Magenat. “This role represents a great opportunity, it suits my personality and my ambitions, and I am utterly committed to this business and to making the bank successful in the region. Not only is it a wonderful bank to work with, given the philosophy, longevity and global strategy, but it is also a remarkable opportunity to meet a lot of successful and interesting people.”

Outside the long hours he spends with the bank, Magenat is married with two children aged 14 and 10 years old. “Of course, children take up a lot of our time at home, and that is a great joy outside the very intense work I have with the bank,” he comments. “A passion of mine is cooking, where I lose track of time and focus on the creation of something that can be enjoyed by my family and friends.”

Another diversion and also a great pleasure for him is travelling with the family, exploring new places, spending time in other cultures but not in a business travel context. “Getting away from it all in a relaxed state of mind with the family might sum it up best,” he concludes.