

# Lombard Odier in Asia walking the talk

## Executive summary

Jean-Louis Nakamura, Chief investment officer, Asia-Pacific, and head of Hong Kong office for Lombard Odier group for Asia at Swiss private bank Lombard Odier, has a distinct and far-reaching view of the future of private banking, aligned to the future of demand from high net worth individuals (HNWIs) and the history of the bank. He does not want his bank to be simply a platform for selling investment products. Instead he wants to achieve recurring, stable revenues by adding value to his bank's clients. A core element of this is shifting the model towards Discretionary Portfolio Management (DPM) to help investors achieve either greater security or greater returns, or both, for their assets. To achieve these goals Nakamura needs top quality talent in the form of bankers who will be able to challenge and truly advise their clients. Nakamura also needs strong partnerships with leading banks around the region to roll out his message to their clients, who will then become mutual clients. And he needs to further boost Lombard Odier's name and brand recognition across Asia.



JEAN-LOUIS NAKAMURA  
Lombard Odier

**J**EAN-LOUIS NAKAMURA, CHIEF INVESTMENT OFFICER, ASIA-PACIFIC, and head of Hong Kong office for Lombard Odier group for Asia at Swiss private bank Lombard Odier, sat down with Michael Stanhope, CEO of Hubbis, to outline his views on the future of private banking in Asia and how Lombard Odier is positioning itself to grow alongside its high net worth clients.

Nakamura began by explaining what he does not want. "We do not see ourselves as a gatekeeper institution, we do not want to be just a platform to sell funds or other products, we do not want to be perceived as a structure to push out the product of the day, week or month. As we



interpret this industry, that is not the future of private banking, nor is it Lombard Odier's history, nor is it a recipe for success in this dynamic region."

Nakamura envisages a gradual convergence of private banking skills to harness traditional high net worth individual (HNWI) client relationships together with high-quality asset management skills and disciplines.

### Keeping emotions at bay

"In our view, one of the biggest elements of added value that a private bank can bring is to reduce the emotion involved," he elucidated. "Clients so often need to distance themselves from the emotions involved in managing their own portfolios, or they lose objectivity and that can be risky."

To hand that over in a DPM arrangement to a professional asset management team at Lombard Odier is both a bold and mature approach, he added. "The investment process they are committing to will see their portfolios managed along the same lines as for any major investor, with total professionalism and objectivity."

Nakamura noted that on top of the core construction of a well-diversified, disciplined, agnostic portfolio, Lombard Odier will then aim to help the clients overlay some other investments that are more conviction-driven.

"The clients might be more emotionally connected to these incremental investments," he explained. "That is fine, but it is vital that the size of these add-ons should be such that they will not jeopardise the overall risk-adjusted return from the entire portfolio."

### A clear and consistent vision

Nakamura explained that Lombard Odier's positioning and its offerings have been consistent for the past five years since the bank embarked on a strong drive to enhance its business and presence in the region.

"We are clear in our vision," he said. "From the client's perspective, we believe it is counter-productive to push products to them week after week with no clear view of where they fit into a balanced portfolio construction constructed with a more holistic view of their wealth. We need to help them build something sound and robust that will resist the next downturn. In short, we firmly believe that following a pure transactional process is not the right way."

Nakamura elucidated, is that the transactional approach is increasingly hampered by rising compliance costs and it is not easily scalable.

"For instance," he clarified, "every time we onboard a new client there is ever more paperwork and steps required, so the costs would be rising almost as fast as the revenues. Moreover, we perceive that in a world where your only rationale is to help clients do transactions and where the marginal costs of transactions are rapidly converging towards zero, margins would fall ever lower. We do not want to be in that world, so we decided some time ago to carefully organise ourselves into a completely different position in the market."

### Seeking the best

Nakamura explained that to achieve Lombard Odier's goals, keeping and hiring the best talent



is essential. “We need bankers that will be wealth challengers, ready where necessary to contradict clients. Some RMs might sometimes be too close to their clients to challenge, to contradict them, to express disagreement and to strongly propose something radically different.”

This fits in neatly with Nakamura’s vision of down-scaling the emotional side of client relationships. “As I said, an important element of our value-added should be to protect the client against their own emotions.

We have to have the conviction to advise them, for example, that their choice of a certain reference currency for their portfolio might be wrong because their long-term liabilities are in a completely different currency.”

Nakamura’s vision for expansion in the region has several pillars, he reported. These include the hiring of excellent talent, building partnerships with major banks across the region and the expansion of the Lombard Odier name and brand recognition.

### **Partnerships based on common values**

Addressing the second of these categories, Nakamura explained that Lombard Odier has been building out partnerships with strong onshore local banks, so far for example in Thailand and the Philippines.

“We seek major financial institutions that are 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.”

He added that the bank must be extremely careful in selecting partners that share this holistic view of clients, who are willing to encourage their clients towards DPM and the satellite approach to the construction of their portfolios.

“There are more and more markets in Asia that are now receptive to this approach,” he explained. “Accommodative regulation and liberalisation are emerging all the time, so, for example, this has facilitated our expansion via partnerships in Thailand and the Philippines. We expect other markets to follow and we will be there, ready for these developments.”

### **Building brand awareness**

Nakamura’s other key priority is to increase Lombard Odier’s visibility and promote its brand name.

“Some years back many here in this region thought that we were a Swiss watch brand,” he joked, “but we have been successfully conveying our messages and building out our brand awareness.

We are now increasingly well-known as a serious, highly professional private bank combining the best of our historical culture and expertise with the needs of our clients across this dynamic and diverse region.” ■