Ready to raise its game

John Williamson is looking to take the quality and productivity of EFG International's bankers, along with the overall platform, to the next level – at a time when many competitors are struggling to find a clear strategic direction.

If you speak to John Williamson, it becomes clear, very quickly, that he remains committed to delivering not just growth, but also a step-change in performance for EFG International.

As chief executive officer for the past four years, he has presided over a period of significant change and streamlining, mainly in terms of geographic spread. That involved reducing the number of places in which it operates by 20, to retain 30 locations worldwide.

Now, supported by a wide range of growth-related initiatives, he wants to capitalise on an encouraging 2014 and the fact that a relatively large number of his competitors are finding it tough to define their strategies.

"We have a real emphasis now on quality and we think that we can be much more competitive to get the best CROs (client relationship officers)," explains Williamson.

The full-year 2014 results, released in late February 2015, show evidence that the bank is taking the steps forward that Williamson has wanted to see.

For example, revenue-generating AUM were CHF 84.2 billion (US$88 billion), up 11% from CHF 75.9 billion at end-2013, and net new assets (NNA) were CHF 4.4 billion, showing an annual growth of 6%, compared with CHF 2.5 billion a year earlier.

The UK, Asia, Continental Europe and Americas (ex-Caribbean) delivered growth in NNA in the 9% to 11% range.

Further, the cost-income ratio improved to 79.8% in 2014, from 81.5% the previous year. And the revenue margin went from 88 basis points in 2013 to 89 in 2014.

QUALITY OVER QUANTITY

When trying to expand their businesses either by acquiring others or taking on new bankers, the challenge for many senior executives, increasingly, is not quite knowing what they are getting for their money.

JOHN WILLIAMSON
EFG International

Acquisitions are very non-transparent typically, even after doing the due diligence, explains Williamson. As a result, his route one is still hiring CROs, which can also transpire from other acquisitions taking place in the market.

This has been happening in Switzerland more recently out of the increased pace of M&A activity, he says.

'We are recruiting a lot of very good CROs from various institutions in Switzerland right now because the industry consolidation and de-risking is rife, as some banks exit certain markets because of issues they have had systemically in those places."

The productivity and quality of his bankers is very much on Williamson's radar, he says.

This could be seen by EFG's tightening of performance criteria for existing CROs. Average AUM per CRO (excluding those hired in 2014) increased from CHF 174 million to CHF 217 million.

Further, the decision to address under-performing bankers in the second half was taken in light of an encouraging pipeline and outlook for 2015.

"EFG believes that its appeal to high-quality CROs is now greater than at any time since the financial crisis," says the bank in its 2014 results. Williamson is seeing the practical impact of that in terms of the size of the client portfolios and AUM-generating capabilities of the individuals who the bank is increasingly able to attract.

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That partly applies to growth opportunities in Asia, too, where Williamson is proud to be able to say that EFG International has always been profitable.

That isn't the case for the majority of private banking operations.

Even in 2014, when the first half of the year was tougher from a revenue perspective due to the non-directional nature of the market, Williamson says the second half was much better in terms of NNA generation.

But it isn't all about the numbers.

The focus for recruitment is to further improve quality, he adds. That means CROs who are able to show they have sticky assets and can build portfolios for the long term.

PLAYING TO HIS STRENGTHS

Taking the firm in this direction is critical in a world of private banking where it seems ever-harder to find differentiators and be clear about who is actually doing the right thing for clients.

The regulatory and compliance crackdown has, in many cases, resulted in bankers within various institutions being stifled in terms of what they can and cannot do and sell.

Against this backdrop, Williamson is resolute about the value EFG offers via its commitment to maintaining an open architecture platform.

"We have enhanced our platform and our compliance function, but we still do not tell our people what to sell, or who they can and cannot have as clients," he explains. "We are still driven by the relationship, and we have in place cross-border policies for that. Also, the pay for our CROs is completely transparent to them."

The main stipulations he has are that his bankers are compliant and profitable while at the same time doing the right thing for their clients. Assuming that is so, the bank is geared up to facilitate their business, rather than just erecting barriers or creating blockages.

What makes this tangible for Williamson, and in a way that doesn't always exist at other private banks, is when a new CRO joins EFG and experiences that first hand.

Clients can also touch and feel the difference, he adds. "They know the CRO they speak to is empowered to deal with them in an independent way."

LONG-TERM PARTNERSHIPS

In Asia, in particular, the consolidation trend is also in Williamson's favour.

Whether it is because universal banks have taken the view that private banking is too small a part of the institution's overall revenue, or whether a bank realises it has better and more profitable traction in other markets instead, more and more opportunities are starting to open up to those firms with a genuine long-term commitment.

These trends, which include relationship managers elsewhere getting frustrated at changes at the senior executive level at their existing firms, as well as a realisation that certain types of revenue targets aren't in anyone's best interest, have also been fuelling the flow of higher-quality bankers to EFG.

For those organisations with the staying power, it looks like the potential to finally shift the model away from the trading-based approach that has existed to date, especially out of Hong Kong, can finally happen.

Doing that sustainably, however, doesn't just mean imposing a traditional wealth management model on the Asian market.

For Williamson, the key is to be able to lend in a sustainable way.

So rather than just selling credit across the board, the approach has to be lending on what he calls "a highly-controlled, highly-qualitative basis".

Given that banks clearly cannot have a limitless appetite for credit, EFG's focus is to lend to clients with whom it believes it is going to have a long-term relationship.

For example, explains Williamson, EFG is comfortable within its Asian business doing single-premium insurance financing, especially since this is so popular among clients in the region – but only provided it gets other assets from that client to enable it to manage their portfolio more effectively, in order to develop a proper relationship.

In the UK, meanwhile, it doesn't just offer a UK mortgage; there need to be other assets which the client brings to the table.

"While credit is important, we cannot just take the view of buying short-term assets but then creating a long-term problem for ourselves," says Williamson.

Part of being able to entice clients to give more of their assets to EFG to manage is having a convincing platform for its bankers to be able to talk to clients about alternative and longer-term strategies.

The EFG approach continues to centralise asset allocation, investment strategy and the product research platform for all asset classes in what is known as Investment and Wealth Solutions.

It is also looking to make it more relevant to Asia, says Williamson, with more Asian-based support and research.

DRIVING AUTOMATION

EFG is also embarking on formulating a digital strategy to complement the client interactions taking place on a human level.

Williamson is pleased with the progress so far. "We are focusing on enhancing tools to support in a much more automated way the interaction between CRO and the client."

And to deal with issues such as the rising cost of regulation, initiatives such as fully automating the account-opening and credit-application processes have been completed.

"That's where we are trying to go with digital, as an enabler to create proficiency in both the relationship process and in the internal processing side." ■

Forging local tie-ups

With Asia touted as a great growth market, yet one in which it continues to be hard to gain market share, onshore opportunities get more and more appealing. And it is hard to ignore China, despite its challenges.

Williamson and his management team are among those weighing the options for how best to approach this potential – for example, whether setting up their own offices or, perhaps more likely, through partnering with local firms.

For those organisations, it can give them access to the know-how and experience of a global player, to cope with the growth projected to come in line with the expectations that China opens significantly in the near future to investment flows, both in and out of the country.

It is also part of the planning that local firms know they need to do in advance of the introduction of inheritance tax, for instance.

That is spurring them to want to offer tax planning, tax mitigation and succession planning advice onshore, rather than effectively letting capital flow offshore.