

Wealth Management in a Corporate Bank

Wealth management is traditionally seen as a remit of the universal consumer banks or private banks but a bank in Dubai that is primarily focused on serving corporate clients has leveraged its position and established a successful wealth management practice for its clients.

COMMERCIAL BANK OF DUBAI WAS SET UP in Dubai in 1969, a couple of years before the United Arab Emirates was formed by the union of 7 emirates. The timing was perfect. As the UAE embarked upon a path of rapid development, CBD played an active role in financing local businesses and grew along with them. Since then the bank has remained true to its nature and hence enjoys very close relationships with domestic business families. Many of

the bank's business clients, today, have been banking with CBD for 3 generations, partnering with CBD for their business, trade, treasury and corporate finance requirements.

Cross-selling to corporate clients A few years ago, the bank decided to leverage their strong position with their corporate and commercial clients to increase business opportunities with the owners of these companies. Since the bank already had a very close relationship with the owners, it was a logical extension to offer private banking services to these high net worth business people. From the clients' perspective, as well, it was logical that they expand their personal relationship with a bank that has stood with them for decades, supporting their business needs through the years.

Extending this opportunity, CBD has launched a road-map for the investments business that has already started by targeting the corporate owners at private banking level, which will be followed by targeting the senior management of the companies at priority banking level and finally the entire employee base of these companies. Leading this business is the bank's Head of Investments, Deepak Mehra, who has been with the bank since 2007 and prior to that has held similar positions in Citibank and Credit Suisse.

3 levels of offering The roll-out of investments at CBD is taking a top-down cascading strategy which is quite different from the strategy that banks tend to normally take. Traditionally banks start their invest-



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ments offering at a retail level and gradually upgrade their solutions to cover priority banking and then later the private banking segment. Given the close relationship that CBD has with the high net worth owners of the companies, the roll-out of wealth management offering has started the other way round.

At the first level, CBD has started with a private banking offering targeting clients at the very top-end of the pyramid. Many of these clients have a bulk of their wealth invested in real estate followed by large sums of money in bank deposits. The primary objective of these clients is to receive regular income from their investments. Given their net worth and large holding of bank deposits, they are not too concerned about liquidity of their investments. However, they are sensitive to volatility in the capital invested. Essentially, they want their investment products to mimic the behavior of their real estate investments.

To remain aligned with the client's expectations and their risk-taking ability, CBD is distributing a series of real-economy investments that can deliver regular income payouts and maintain a low correlation to the capital markets. The equipment leasing fund offers attractive returns by investing in equipment that are leased to high quality lessees in the US for regular lease payments. The trade finance fund invests in structured trade transactions providing funding for exporters with multiple levels of securities, generating a good pick-up of returns while providing regular liquidity as well. Both these products are positively correlated to interest rates and will benefit as rates go higher. CBD also has been distributing real estate funds that invest in income generating real estate in UK, US or Germany. These funds are privately placed with high minimum tickets. Apart from these funds, the bank is offering

execution of fixed income securities and selectively offering leverage. CBD also owns a local brokerage license through one of its subsidiary that offers execution in the local stock markets of Dubai and Abu Dhabi. Again, catering to the needs of the ultra-high net worth business owners, the brokerage firm has launched margin trading to facilitate trading in the equity markets.

At the second level, CBD now plans to cascade their investment offering down to priority banking levels targeting individual clients who are just below the private banking segment. To cater to this segment, CBD plans to launch structured notes, both capital protected and others, which will be available at lower minimum subscription levels. CBD also plans to distribute third party mutual funds linked to equity and fixed income securities.

At the third level, CBD is looking to further expand the target market with a much wider range of offering that will be delivered using technology solutions. CBD is exploring an app-based investments platform that can serve all segments of the clients from private banking to retail. Though this offering has not been conceptualized and the client appetite has not been established yet, it may include direct trading in equity and ETFs, self-directed savings plans, portfolio management and potentially even robo-advisory. This comprehensive range of offering delivered digitally would require additional investment and resources but will help position the bank as a universal wealth management solutions provider.

With these three levels of roll-out, CBD, which is predominantly known for its corporate lending business has chalked out a very effective and focused approach to becoming a significant player in the wealth management industry. ■

