Future-proofing private banking

Speaking at Hubbis' Indian Wealth Management Forum 2017 in August – Evrard Bordier of Bordier & Cie sees problems ahead for private banks that aren't able to explain why they are relevant.

The sooner that private banks in Asia shift away from an approach to their clients which is based on transactions, and towards one rooted in relationships, then the better their chances of understanding clients' real needs – and being able to respond to them.

One way to stay relevant, is to answer the 'why' part of their business model, says Evrard Bordier, managing partner and the fifth generation of Bordier & Cie.

He believes that key to this is being able to map the personality traits of clients and then design investment portfolios that are suited to them.

After all, not every client wants to put money away in a bank in order to leave their wealth to the next generation, he notes.

Still, other challenges facing private banks will cause tectonic changes in the industry – indeed, he predicts that by 2020, private banking as we know it will no longer exist for industrialised economies.

The issues stem from a mix of sources: the operating environment, which has seen an increased need for regulatory compliance, leading to rising fixed costs; IT, which has seen the growth of fintech, putting pressure on lower-end private banking models; and pricing, in terms of hidden fees and no value for services offered.

As a result, banks need to be proactive with clients, be clear in their positioning, maintain transparency and reduce costs.

The larger private banks with AUM of more than USD100 billion will survive, believes Bordier. And there is a role for those firms with AUM below USD25 billion, as they can service a smaller number of clients properly. Those players in-between, however, will suffer as consolidation continues, he adds. ■

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