

Why in-house structuring continues to be compelling

As many international private banks are choosing to sell their trust businesses, EFG continues to stick with its solutions-focused offering. As the business environment evolves and market dynamics change, this capability presents a unique and lucrative opportunity, says David Sussman.

The world is becoming more complicated; regulations are more burdensome and the associated costs are forcing many international private banks to restructure their business models and re-evaluate their offerings.

The past two years have seen many international banks divest their trust units, both in Asia and globally.

In contrast, EFG continues to offer its UHNW clientele an in-house structuring capability.

The hybrid business model employed by its Wealth Solutions group enables it to leverage existing trust, fiduciary and insurance expertise with a well-established network of professional advisors and third-party service providers.

For David Sussman, managing director at the firm, the ability to deliver solutions which draw upon the strength and resources of a global institution,

while doing so with the flexibility and innovative thinking more typically associated with an independent or 'boutique' trustee, means clients receive the best of both worlds and demonstrates a truly unique value proposition in the marketplace.

Through its network of offices, the EFG Wealth Solutions team see the changing regulatory and competitive landscape creating a once-in-a-lifetime opportunity to capture new business as increasingly global families demand more sophisticated and fully-compliant solutions – and as they prepare for an unprecedented level of inter-generational wealth transfer.

Although EFG Wealth Solutions works closely with its private bank counterpart, a significant portion of its business is referred by independent intermediaries or has no other banking or asset management relationship with EFG. This truly open-architecture ap-



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proach, coupled with a willingness to accept both bankable and non-bankable assets within its trust structures, represent a key differentiator between

EFG and its institutional competitors, according to Sussman.

“One of the failings in the market is the tendency for large bank-owned trust companies to view their fiduciary subsidiaries as little more than a glue to bind client assets to the institution,” he says.

“The EFG model maintains the objectivity required to function as a prudent trustee and mitigates the temptation to push product.”

By delivering a model which ensures conflicts of interest are minimised and good governance prevails, Sussman projects good things to come both for the international trust industry in general, and EFG Wealth Solutions, in particular.

service them properly, it will also be more lucrative.

Rather than retreat from the challenge, EFG wants to take advantage of this trend.

While the complexity of the marketplace and increased cost of doing business means the volume of clients is likely to decline, the overall size of clients is going to increase, says Sussman.

Although many of the largest private banks have decided that having a trust department or subsidiary inside their business is too risky, he believes this assessment is flawed.

The current regulatory landscape creates new challenges, but by hiring

EFG wants to build on its success as a leader in advising families throughout their lifecycle on all matters relating to wealth transfer, succession planning and governance matters.

The changes in market dynamics are positive signals for EFG, and validate its strategy, adds Sussman.

BUILDING TRUSTED RELATIONSHIPS

Wealthy families are becoming more sophisticated, and more global.

As branches of these families establish diverse connections in varying locations, keeping pace with ever-changing regulations, reporting requirements and other obligations can present a daunting task to even the most seasoned team of advisers.

“These clients require robust wealth planning solutions,” says Sussman.

“And in my experience as with the family security, medical and education expenses, they are happy to pay a premium if the service and advice they are receiving is world class, user-friendly, efficient and effective.”

Forward thinking and well-informed HNW clients recognise that a trust is often an integral part of a prudent wealth plan, he adds.

The changing market environment creates an opportunity to build trusted relationships and EFG wants to take the lead in the sector.

“With an in-house trust capability, wealth managers have an opportunity to tap into these requirements,” he says. ■

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A NEW MARKETPLACE

Although many of the world’s wealthiest families continue to prosper, the majority of new wealth is being created in developing economies and emerging markets.

This ‘new breed’ of client is going to require tailored advice, bespoke structuring and be more demanding. However, for those institutions willing to invest the resources necessary to

qualified people with the proficiency to deliver superior service and the confidence and skills to manage client expectations with respect to their long-term goals and plan, Sussman says that EFG Wealth Solutions will be able to increase its profitability and provide value to its clients.

One of the fastest-growing parts of the business, he explains, is the provision of private trust company services.