



QUOTE

NEWS

▶ SYMBOL LOOKUP

Live TV

Live Radio

Mobile

Podcasts

▶ Feedback

Swiss Private Banks Go Down Market as Crisis Destroys Wealth

[Share](#) | [Email](#) | [Print](#) | [A A A](#)

By Warren Giles



Sept. 17 (Bloomberg) -- Swiss private banks, long the home of numbered accounts for the jet set, are going down market.

While traditionally targeting those with at least 1 million Swiss francs (\$960,000) to invest, firms including Banque Privée Edmond de Rothschild and **Credit Suisse Group AG** are quietly wooing people with less than half that amount as the financial

crisis and attacks on banking secrecy squeeze existing clients.

"There are two badly kept little secrets," said Graham Harvey, director at **Scorpio Partnership Ltd.**, a London-based wealth management adviser. "A good chunk of private banking clients are way below the investment threshold, more so because of the financial crisis. And secondly, they can be more profitable."

The so-called mass affluent market offers banks a chance to gather assets and bolster fees after plunging financial markets, a **Boston Consulting Group** study found, destroyed more than \$12.3 trillion of wealth worldwide last year. The number of millionaires dropped 15 percent to 8.6 million in 2008, according to a June survey by **Capgemini SA** and Merrill Lynch.

Swiss banks aren't alone in chasing less wealthy customers. A Scorpio survey last year found that initial investments at 25 U.K. wealth managers were half the advertised minimum.

"People think that you need 2 or 5 million" francs to open an account, said **Boris Collardi**, chief executive officer of Zurich-based Julius Baer Holding AG's Swiss private bank. "You don't."

Preeminence Challenged

Julius Baer, which is splitting its private banking and asset management businesses this month, will look at clients with 500,000 francs if they have the "potential" to multiply their assets, Collardi said at a private banking conference this month in Zurich.

The new paradigm comes at a time when Switzerland's preeminence as a wealth management center is threatened by pressure from the U.S., Germany and France to weaken bank secrecy laws. Swiss banks oversee \$2 trillion, or 27 percent of the world's privately held offshore assets,

Private banks are also facing competition at home from cantonal banks and cooperative institutions such as St. Gallen-based **Raiffeisen Switzerland**.

Raiffeisen's wealth management unit attracted 4.4 billion francs in net new money in first half. Zuercher Kantonalbank, the country's biggest regional lender, lured 3.7 billion francs and **Migros Bank**, a unit of Switzerland's biggest supermarket chain, added more than 1 billion francs.

'Potential to Move Up'

"We have a lot of affluent clients around the globe who have less than a million but with the potential to move up," **Walter Berchtold**, CEO of Credit Suisse's private bank, said at the Zurich conference. "We realized we were losing clients to banks like Raiffeisen."

Credit Suisse, based in Zurich, has broken down its customer base, with the Private Clients Switzerland unit serving those who have 50,000 francs to 1 million francs to invest. Private Banking Switzerland handles those with more than 1 million francs, and a separate division caters to "ultra-high net worth" individuals with more than 50 million francs.

"There is no minimum" threshold for clients, said Valerie Boscato, a spokeswoman for Geneva-based private bank **Edmond de Rothschild**, which attracted 1.7 billion francs of new assets in the first quarter.

Less wealthy customers can be more profitable if banks offer them off-the-shelf investments at set prices, Harvey said. Wealthier clients negotiate fees, seek personal investment advice and may demand services such as booking private jets and assistance finding schools for children.

Treating Clients 'Like Kings'

Courting the merely prosperous as well as the truly rich may threaten the appeal of private banks that built their brands by cultivating an image of serving the elite, said **Bernhard Bauhofer**, founder of Wollerau, Switzerland-based **Sparring Partners GmbH**, which advises banks on reputation management.

"They're having to treat the smaller clients like kings to win them back," Bauhofer said. "If banks aggressively change the way the brand is perceived, it may scare off aspirational clients."

Thresholds have always been flexible, depending on the strength of markets, said Werner Rutsch, a private banker and author of "Swiss Banking -- Where Next?" (Neue Zuercher Zeitung, 2008) Even before the financial crisis, there were thousands of clients with as little as 100,000 francs, and the hunt for new money has swelled those numbers, he said.

Discretionary Accounts

Pictet & Cie., Switzerland's biggest closely held private bank, and **Lombard Odier & Cie.**, Geneva's oldest, declined to comment.

Banks that reduce their investment thresholds must provide less wealthy clients with a lower level of service to protect profitability, Harvey said.

To help keep costs under control, some banks are pushing investors with fewer assets into discretionary accounts that allow bankers to make investments without the prior approval of their clients.

Deutsche Bank AG's head of global wealth, **Pierre de Weck**, said his bank wants to boost the number of clients in discretionary mandates from the current 30 percent.

"For an institution, it's a much more efficient service to deliver," he said.

Given that it costs a client more than 1,000 francs to open a numbered account, and Swiss private banks charge annual management fees of 1 or 2 percent of assets, plus fees for specific investments, the model doesn't make sense for many smaller investors, Rutsch said. That may not deter everyone.

"It's all about glamour," Rutsch said. "If you can mention your Swiss private banker at Pictet or Julius Baer to your friends that sounds fancier than if you're at Migros or a cantonal bank."

To contact the reporter on this story: **Warren Giles** in Geneva at wgiles@bloomberg.net

Last Updated: September 16, 2009 18:01 EDT

Sponsored Links

Bloomberg.com [NEWS](#) | [MARKET DATA](#) | [PERSONAL FINANCE](#) | [TV AND RADIO](#) | [ABOUT BLOOMBERG](#) | [CAREERS](#) | [CONTACT US](#) | [LOG IN/REGISTER](#)

©2009 BLOOMBERG L.P. ALL RIGHTS RESERVED. [Terms of Service](#) | [Privacy Policy](#) | [Trademarks](#) | [Site Map](#) | [Help](#) | [Feedback](#) | [Advertising](#) | [日本語サイト](#)