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Banks consolidate wealth divisions

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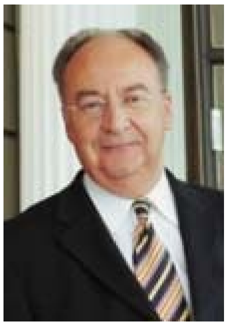
The wealth management divisions of the world's largest banks are seeing in-house consolidation.



Soudah

Difficult for bigger wealth managers to dominate

Ian Woodhouse, director of the investment management and private banking practice at accountantancy Ernst & Young in London, said: "In-house consolidation within the larger groups of previously disparate private banking and wealth-related businesses is a new and increasing trend."

Examples include the creation of Barclays Wealth and Lloyds Wealth. Formerly disparate wealth businesses have been pushed together to benefit from sharing clients, products and operational infrastructure. Technology has been vital to speeding through the development.

Citigroup has integrated parts of its private bank with its wealth advisers unit where they share product and technology platforms. Bank of America has taken a similar approach.

The UBS wealth management unit is to globalise its product offerings, working more closely with its investment bank, its Swiss retailmanagement undertaken through fund vehicles [illegible] also driving consolidation in-house."

Elsewhere, the wealth advisory business is fragmented. No single wealth manager controls more than 2% to 3% of the market in terms of assets under management and this figure has changed little in the past five years.

There have been occasional acquisitions, such as Standard Chartered buying Amex Private Bank. Banca del Gottardo has been snapped up by Italian insurer Generali to be merged with its BSI Swiss private bank.

However, there has also been fragmentation, with small boutique start-ups such as Syz & Co in Switzerland and UK-based Fleming Family & Partners taking clients from the bigger participants and establishing successful wealth businesses.

Ray Soudah, founder and chief executive of Millenium Associates, a mergers and acquisition specialist in the wealth sector, said the nature of the business would make it difficult for bigger wealth managers to dominate.

He said: "The wealthy will always like the personal service they can get from smaller private banks – they are not all going to be impressed with size when it comes to managing their money."

Soudah said he did not believe the storm in financial markets would make much difference to the pace of consolidation. He said the ratio of buyers to sellers might have improved to 50 to one today, compared with 100 to one a year ago, but deals were still very difficult to put together.

He said: “The unlisted private banks do not think they are in a bear market. As for the listed ones, they are sitting tight and the big commercial banks are unlikely to acquire them with so much uncertainty about.”