RAY SOUDAH, MILLENIUM ASSOCIATES

Lack of quality holds back bidders

There is a perception that there has been a lot of merger and acquisition activity recently in private banking, but this is not necessarily backed up by the facts.

The number of transactions are not in excess of normal levels, but people have become more aware of the deals because the names involved have been familiar – the likes of Kleinwort Benson or ING for example. These have largely been obligatory disposals by the owners.

Because of regulatory restructuring decisions by their domestic governments, this is almost without exception the case: the likes of Kleinwort Benson, Dresdner, ING and so-on. There are two primary factors which are preventing private banks taking advantage of cheap prices.

- **Capital constraints:** the majority of institutions are in the same situation, just about recovering from their own financial crisis, or having just repaid their government debts. They cannot be seen going around buying other banks so soon. Some banks are talking brazenly about making acquisitions, but in reality they are not yet in a position to do that because they are only just beginning their recoveries themselves.

[illegible] have become available for sale.

That is why people have not been obtaining high prices for the sales. In domestic markets, the main consolidators are likely to be other domestic businesses. Internationally consolidators are likely to be the medium-sized banks that already have overseas operations – the likes of Julius Baer, [illegible]

[illegible] market and they are sub-scale and are likely to be picked up by miscellaneous people – most likely newcomers or people who want an existing platform to save time applying for a licence.

So it is not yet a hugely commercially based consolidation-led M&A market. In the second round, when all of this government-inspired activity subsides and the banks have recovered, which I expect to happen in the next three to six months, more commercial reasons for sales will return.

Ray Soudah is a founder of Millenium Associates, the international private banking M&A specialist based in Switzerland

BENCHMARK INTELLIGENCE ON THE WEALTH MANAGEMENT INDUSTRY
Private Banker INTERNATIONAL

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Financial News Publishing, 2010
Registered in the UK No 6931627

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