

Speaking about asset management means speaking about the ‘production’ site of the PB, while when we speak about the wealth management we watch to the ‘distribution’ site.

One of the most important promises is to be able to control risks for Wealth management: trade off between customization and keeping the risks low.

When we compare the processing private banking with the asset management industry, we know that we have to find a balance between customization and standardization.

How can we keep this kind of personalization promise?

Let's go back to the 60's: Swiss bank is almost a monopolist bank and some US banks wanted to enter in the Swiss market → they designed a large range of services.

In this period the Swiss bank was like a synonym of Private Banking cause of the monopolist power.

International private banking: private banking services offered at **non-domestic clients**. This was the most important part of the private banking sector.

Domestic private banking: services offered to **domestic clients**.

The main revenues for the Swiss bank (IPB): during the 60's the main services were of investments:

- Custody: have the portfolio safe thanks to multiple items that defined a good stability to the risks
- Discretionary mandates
- Execution

→ So, the main revenues were **fees** that are *high* and *recurring* (returns the next years).

→ The level of risk was low → little capital

→ Costs: are lower than the retail banks because with few branches the bank can arrive all over the world's clients.

→ Because of the non-domestic clients, the bank couldn't create a relationship with the clients, instead they had a good relationship with their portfolio.

The US banks were interested in this bank's market because of the high revenues, risk and costs relationship.

Commercial bank: marginal revenues (spread between credit and deposit), higher risks (credit, interest) and high costs without Fintech (in the 60's).

How can we enter in this field? The US banks tried to stay more focused on the client: not only investment services but also → asset and liabilities services



As a bank we use an asset management liability approach also for the client.

At the very beginning of the 70's the Personal Financial Approach was coping the advisory services for the corporate clients (very big client):

- clear identification of the client needs at 360 degrees;
- best solution in class on the markets.

So, the Independent finance advisor wanted to buy the PFP approach to have at the centre the client and then enlarge the range of services:



We don't talk more about asset management (as the case of the swiss bank) but client management (relationship manager) with also an approach to the client's portfolio (but not mainly).

Using this approach the banks couldn't be independent (they had to have a connection with the producers) → client need: insurance → we are not the best on the insurance services, so we look outside our business bank and go for the best solution for the client. → **Open architecture**: the US banks made a sort of revolution, cause of the larger and different services, in terms of professional roles and organizational approach.

We combine the standardization from the asset management and the client customization from the personal financial approach.

This type of approach was appreciated from many banks all over the world because of the following benefits:

- long term relationship;
- more control;
- more sources of revenues;
- more stable profit;
- not just performances speaking with the client in short term (long-term solutions with insurance for example).

Comparing the "old Swiss model", today we have an increase in terms of:

- Costs: structure fix costs, know-how
- Risks: more risks (liability)
- Revenues: more or less, depends if the market selects our services.

A high net worth individual (HNWI) in private banking typically refers to someone with significant personal wealth, often defined as having at least \$1 million in investable assets. Private banking services cater to these clients by providing tailored financial advice, investment management, estate planning, tax optimization, and personalized banking services.

HNWI clients usually seek a higher level of service and expertise, often looking for strategies to grow and protect their wealth, navigate complex financial situations, and achieve specific financial goals. Private banks often assign dedicated relationship managers to provide a customized experience. The threshold for HNWI can vary among institutions, with some defining it at \$5 million or more, and ultra-high net worth individuals (UHNWIs) typically having over \$30 million in assets.