

Contents

Preface	xi
Acknowledgements	xiii
1 Global Market Overview	1
1.1 The wealth management market	1
1.1.1 Investment mandates	3
1.1.2 Offshore versus onshore	4
1.1.3 Market size and growth	6
Box 1.1 Wealth market measurement methodologies: lies, damn lies and wealth statistics?	9
1.2 Key wealth drivers	13
1.2.1 Generic drivers	14
Box 1.2 US Wealth Dynamics	16
1.2.2 Regional drivers	20
1.3 Industry economics	26
1.3.1 Value drivers and key performance indicators	29
1.4 Competitive landscape	35
1.4.1 Industry concentration	37
2 Industry Challenges: New and Old	39
2.1 Clients	40
2.2 Products, pricing and channels	42
2.2.1 Products	42
2.2.2 Pricing	43
2.2.3 Channels	44
2.3 Competitors and business models	45
2.4 External environment	47
3 Clients	49
3.1 Key characteristics	49
3.1.1 Sophistication	49
3.1.2 Advice	50

viii	Contents	
	3.1.3	Buying behaviour 51
	3.1.4	Relationship fragmentation 52
	3.1.5	Regional differences 53
	3.2	Client segmentation 54
	3.2.1	Traditional high-level segmentation: the wealth pyramid 54
	3.2.2	Other segmentation criteria 55
Box 3.1	3.1	Ultra-high net worth individuals 56
	3.2.3	Multiple segmentation criteria 61
	3.2.4	New segments and subsegments 62
Box 3.2	3.2	Client segmentation at Coutts 63
Box 3.3	3.3	Professional sports players 65
	3.3	Client value management 67
	3.3.1	Client acquisition 70
	3.3.2	Client development 71
	3.3.3	Client retention 72
4	4	New Products and Pricing 77
	4.1	New products and services 80
	4.1.1	The advisory process 81
	4.1.2	Tracker-related products 84
	4.1.3	Structured products 85
Box 4.1	4.1	Islamic private banking 90
	4.1.4	Alternative investments 92
Box 4.2	4.2	Co-investment 102
Box 4.3	4.3	Structured products and alternative investments – success in advice-led selling 103
	4.1.5	Property and real estate 105
Box 4.4	4.4	Investment performance measurement 108
	4.1.6	Lending services 110
	4.1.7	Other products and services 112
	4.2	Product sourcing and management 115
Box 4.5	4.5	Multi-manager fund structures 117
Box 4.6	4.6	Product management discipline 121
	4.3	Pricing 123
Box 4.7	4.7	Pricing discipline 124
5	5	Distribution Channels 127
	5.1	Relationship managers 128
	5.1.1	Roles 129
	5.1.2	Organisation and structure 132
	5.1.3	Sales effectiveness 135
Box 5.1	5.1	Increasing the time in front of clients 138
	5.1.4	The ‘war for talent’ 140
	5.2	Other traditional channels 144
	5.2.1	Referral agents 144
	5.2.2	Branches 145
	5.2.3	Client reporting 146

	Contents	ix
5.3	New and emerging channels	148
5.3.1	Online	149
5.3.2	Broadband and beyond	150
5.4	Multichannel management	151
6	Players	153
6.1	Types of players	153
6.1.1	Private banks	153
6.1.2	Universal banks	155
Box 6.1	EFG International	156
Box 6.2	High-profile retrenchments	159
6.1.3	Financial advisers	161
6.1.4	Investment banks	162
6.1.5	Family offices	163
Box 6.3	Peer networks	164
6.1.6	Regional perspective	165
6.2	Business system upheaval	168
6.2.1	Value chain disaggregation	169
6.2.2	Business model convergence	169
6.2.3	Divestment of non-core businesses	171
6.3	Consolidation	171
6.3.1	Recent consolidation activity	172
Box 6.4	Julius Baer	176
6.3.2	Consolidation drivers	179
6.3.3	Best-practice implementation	180
7	Operational Excellence	185
7.1	Smart operational sourcing	187
7.1.1	Operational outsourcing	188
Box 7.1	Wealth management insourcing	193
7.1.2	Operational offshoring	194
7.2	Lean operations	196
Box 7.2	Six Sigma	197
7.2.1	Four lean principles	199
7.2.2	Benefits	200
7.2.3	Implementation	201
7.3	Technology transformation	202
7.4	Value-added support services	203
7.5	Instilling operational excellence	205
7.5.1	Operational redesign	205
8	Organisational Design	209
8.1	Organisational structure	209
8.2	Business unit interfaces	210
8.2.1	Asset management	212
Box 8.1	Citigroup's asset management exit	214
8.2.2	Retail bank	219

x	Contents	
	8.2.3 Investment bank	222
	8.3 International dimension	224
9	Regulatory and Tax Issues	227
	9.1 Money laundering vulnerability	227
	9.2 Regulatory initiatives	230
	9.2.1 Offshore financial centres	232
	9.2.2 USA Patriot Act	236
	Box 9.1 Basle II	236
	9.2.3 Wolfsberg anti-money-laundering principles	238
	9.2.4 Implications of regulatory initiatives for wealth managers	238
	Box 9.2 International accounting standards	239
	Box 9.3 Citigroup Private Bank Japan	240
	Box 9.4 Riggs Bank	242
	9.3 Tax initiatives	246
	9.3.1 OECD project on harmful tax practices	246
	9.3.2 US qualified intermediary regime	247
	9.3.3 European Union Savings Directive	248
	9.3.4 International tax amnesties	250
	9.3.5 Implications of tax initiatives for wealth managers	251
10	The Future	257
	10.1 Introduction	258
	10.2 Sources of new profitable growth	259
	10.2.1 New geographies	259
	Box 10.1 Japan	263
	10.2.2 Client relationship deepening	267
	10.2.3 New propositions	269
	Box 10.2 Emerging client segments	270
	10.3 Future industry structure	274
	10.4 Critical success factors	278
	10.5 Conclusions	281
	Appendices	283
	Appendix 1: Country wealth market analyses	283
	Appendix 2: FATF 40 Recommendations	310
	Appendix 3: FATF special recommendations on terrorist financing	318
	Appendix 4: The Wolfsberg anti-money-laundering principles	320
	Glossary of Terms	327
	Bibliography	333
	Index	341