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PROFESSIONAL WEALTH MANAGEMENT

A SERVICE FROM THE FINANCIAL TIMES

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PUBLISHED IN PROFESSIONAL WEALTH MANAGEMENT (PWM)

17 DECEMBER 2018

UBP bets on Hong Kong hub to open up Asia

Many European banks have struggled to make headway in Asia but Mike Blake, who runs UBP's operations in the region, is in expansionary mood.

When Switzerland's Union Bancaire Privée (UBP) bought the international wealth management business of UK bank Coutts in 2016, adding \$10bn to its client assets and 250 staff, the main prize was in Singapore.

Coutts had a strong foothold there, under CEO Mike Blake, now running UBP's business in Asia. But what was a small office in Hong Kong is now also earmarked for expansion, as the bank begins to target China and the northern economies, in addition to nearby south-east Asia.

"I have a real soft spot for Hong Kong," admits Mr Blake, who spent five years there helping run the UBS Asia Pacific business between 2005 and 2010.

He has just recruited a team of 20 private bankers from key rival BNP Paribas in Hong Kong, according to market sources close to the hirings. He nods and smiles knowingly when discussing the mass defection, although he will not reveal the numbers publicly.

"We will continue selectively hiring where we see bankers with a shared vision, values and a cultural fit," says Mr Blake, repeating the sort of identikit corporate statement common to CEOs

across Asia. In reality, this has been an opportunistic swoop, which his deal-making boss Guy de Picciotto will be proud of.

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itself."*

This is a clear indication of UBP's faith in Hong Kong and in Mr Blake, at a time when many are dismissing the territory as falling behind neighbouring Shenzhen on the Chinese mainland in terms of entrepreneurial dynamism and digital innovation. Around half of UBP's 300 Asian staff are now based in Hong Kong.

"I have a huge belief in Hong Kong's ability to re-invent itself," he says. "Normally it does that just as everybody writes it off. We have heard the story for the last two decades that it can't compete with Shanghai or Singapore, yet every time it changes its act and continues to flourish."

In this latest re-invention, as financial centre of China's Greater Bay Area, it is

China's proximity to the mainland, acting as a bridgehead to the world, which will create Hong Kong's biggest advantage, says Mr Blake.

He knows both sides of the internal border well. In addition to spending much time in Hong Kong, both in his current and previous roles, he studied Mandarin at the Beijing Normal University in the late 1990s, as he familiarised himself with Chinese culture, in preparation for the "Asian Century".

This forward thinking impressed UBP boss Mr de Picciotto. Looking for a leader with experience, humility and personality to spearhead the Asian operation, in Mr Blake he found a deep thinker schooled at Oxford University, where he studied Politics, Philosophy and Economics, and a keen amateur footballer, able to combine tactics and strategy.

Now Mr Blake feels the pace of development in mainland China will justify fast expansion for UBP's Hong Kong operation. "Over the last 10 to



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15 years, we have seen increased connectivity between Hong Kong and the Chinese mainland," he says. "This has included both the Stock Connect system [involving integration and collaboration between the Hong Kong, Shenzhen and Shanghai stock exchanges] and improvements in physical transportation, making it easier to cross the boundary. This is in the interests of Hong Kong, China and the border regions."

This mainland Chinese dynamic provides the new engine for UBP. Over the last two and a half years, assets held by north Asian clients are up 50 per cent, growing faster than south-east Asian business. Most growth comes from new clients, on top of assets and customers transferred from Coutts. Mr Blake's Asia Pacific unit currently manages SFr20bn (\$20bn), around 15 per cent of the group total, but the Geneva head office has ambitions for this to increase significantly, with China spurring the Hong Kong expansion.

Although the main focus is on organic growth, Mr Blake also targets Asian acquisitions. His boss Mr de Picciotto has created waves in acquiring units of other banks, re-casting UBP from a firm

which had a near-death experience due to over-exposure to hedge funds and some commitments to Bernard Madoff's funds before the financial crisis.

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UBP has worked hard to put itself on the straight and narrow, has expanded significantly and would like to pick up more assets in Asia, where the contrarian Mr de Picciotto has seen his European competitors such as ABN Amro and Société Générale struggling and eventually retreating from their Far Eastern experiments.

"These firms were sub-scale and not profitable. Plus a lot of businesses were not core to the broader financial services groups that owned them and they were

facing challenges elsewhere," says Mr Blake. "Before 2008, the CEO of every global financial services company said: 'We've got to get into Asia.' There was a big focus on investment, not returns."

But after the financial crisis, head office attention typically switched to the US and many Asian operations were downgraded or discarded.

This mood changed as the global economy entered a new cycle. "Since 2012, there has been a new focus on Asia as a growth engine," says Mr Blake. "But this focus is on returns on investment. The idea of Asia as a great growth market which we pile money into has well and truly gone."

He refers to market talk that even the likes of his old employers at Coutts are pondering a return to the region. Ray Soudah, head of strategic advisory and M&A consultancy MilleniumAssociates, expects several UK banks to re-visit Asia, pushing up recruitment costs. While Mr Soudah says the UBP brand is becoming more widely accepted in Asia, due to its entrepreneurial ownership, more acquisitions are needed to keep costs in check, and these could be difficult to find.

“Some of the banks that withdrew are starting to talk about re-entering. It is a cyclical discussion, I suspect,” says Mr Blake.

Looking out of his boardroom window on the 38th floor of the North Tower in Singapore’s One Raffles Quay complex, Mr Blake sees cargo ships making their way to nearby Malaysia and Indonesia from one of Asia’s busiest ports and reaffirms UBP’s commitment to the south-east Asian markets as well as the Chinese growth story. He has recently recruited bankers in Singapore as well as further north.

“We are well established in domestic business in both Singapore and Hong Kong, but our clients have their own preference of where they want to be banked,” says Mr Blake. “Many Chinese clients have a regional headquarters for their business or their family office based in Singapore, so they feel more comfortable to have their assets banked here.”

Entrepreneurial local clients with assets of \$10M or more looking for discretionary asset management or direct investments and alternative positions are the sweet



Michael Blake
CEO Private Banking Asia

Michael is responsible for managing and developing UBP’s private banking business in Asia. Previously, he was CEO of Coutts International, leading its global wealth management business, until it was acquired by UBP in 2016



spot. “There is a rising tide in Asia and space for everyone in this market,” he says.

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UBP has a specific desk in Geneva looking after ‘External Asset Managers’ (EAM) – boutique wealth management firms whose advisers operate more independently, but need the link with a bigger brand private bank as a custodian to reassure clients – running \$10bn in assets and Mr Blake expects this trend to continue in Asia.

“Of course I hope RMs come to us rather than an EAM if they are seeking an entrepreneurial environment, as we can offer that,” he says. “But there is enough room for different models.”

Swiss banks still have something of a cachet in Asia, believes Mr Blake. “Switzerland is very much recognised

in these markets as a centre of financial expertise, of legal and political stability. There is a Swiss premium here, particularly in private banking.”

Most clients in the region, while still looking for an Asian-oriented solution rather than a European-centric one, choose a Swiss bank as one of four or five relationships to provide a more global outlook than their parents’ generation considered.

“Ten to 15 years ago, entrepreneurs were re-investing capital in their business, but now the majority of Chinese people are more international in their strategy,” says Mr Blake. “They typically have a second residency, children overseas and international business interests. They are far more open to diversification plays than in the past. They are building assets for wealth preservation, no longer just returns and private banks are well placed to help them.”

UBP clearly has many challenges in a market dominated by global giants such as UBS, Credit Suisse, Citi and JP Morgan. Regional champions such as DBS and Standard Chartered are also making a serious impact. But with the bank’s commitment to expanding in Asia and ability to recruit both advisers and clients, under the thoughtful leadership of Mr Blake, the UBP story should be one to watch.

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