

IT'S ALL IN THE FAMILY FOR UNION BANCAIRE PRIVÉE'S DE PICCIOTTO

As times change, CEO's ambition is to make UBP one of the biggest family-owned banks

Mr Guy de Picciotto is enjoying Singapore's warm climes after the chill of Europe. And it isn't just the weather he is talking about.

The continent is «a bit boring - too many problems, too many issues», says the chief executive officer of Union Bancaire Privee, one of Switzerland's top private banks. «When I come here it is much more positive, more movement, refreshing... Europe seems unable to get away from its demons.»

In the last six years, as he steadily built up the bank after the setbacks of the global financial crisis, Mr de Picciotto has put the family cheque book to work, including in Asia.

The Swiss arm of ABN Amro was acquired in 2011, the international private banking business of Lloyds Banking Group came two years later. In 2016, he bought the overseas arms of Coutts from the Royal Bank of Scotland, adding 250 staff in Singapore and Hong Kong that instantly advanced his Asian footprint by leaps.

«I would not be here (in Singapore) if it were not for Coutts,» he told me recently. «You have to believe me.»

Coutts, of course, has been banker to the Queen of England for ages, but Mr de Picciotto hastens to clarify that since he bought only the global business, the Queen is not a customer. It is a fact that he does not seem to mind overmuch.

«I am not sure she pays fees,» he adds, revealing the droll side of what I had prepared for would be the quintessential poker-faced Geneva banker.

Times are changing in the world that Mr de Picciotto inherited from his father, Edgar, who started UBP in 1969 after arriving 15 years earlier as an emigre to Switzerland via Lisbon, Aleppo and Beirut.

The days of banking secrecy, for which the country's financial industry got much of its reputation, are long gone.

The United States, where much private wealth is located, has become an unwelcome place for Swiss bankers who find its intrusive regulators too much of a nuisance.

Under Prime Minister Narendra Modi, taxmen in India, another massive source of high-net-worth clients, have also been keeping a weather eye on citizens with Swiss accounts.

Banks like his therefore not only have to cast their net wider, but also have to compete not as secure places to stash secret wealth but on the results delivered to clients through innovative products, quality information, and sustained client hand-holding - relationships that are often nurtured over generations.

Rather than being affected badly, he says, Swiss banks have adapted well to the circumstances. Switzerland is still the No. 1 place for wealth management.

«The aura of banking secrecy which gave private banks this cloud of mystery has lifted,» he says. «We don't have secrecy as a competitive advantage, so we have had to cope with being more transparent and active - the withdrawal of secrecy has allowed us to be more proactive.»

The regulatory scrutiny has strengthened as well. While such changes in the environment bring short-term pain, they have given the banking industry more roots and consistency, he believes.

A decade ago, UBP was known as something of a hedge fund specialist, a fund of hedge funds. It burned its fingers spectacularly in the wake of the global financial crisis after being lured into investing with Bernie Madoff, who was later convicted of fraud.

UBP was one of the first to settle with affected clients, offering to pay half of any investments made with Madoff and agreeing to pay the trustee for Madoff victims US\$500 million (S\$688 million).

That episode caused a plunge in business in 2010 and while Mr de Picciotto has since succeeded in multiplying the assets that his bank manages for clients, it was a lesson well learnt.

Mr Warren Buffett famously avoided trouble during the dot.com boom years by saying he would not invest in an asset class that he did not understand. To do that he had to stand against investor pressure. Could UBP have not allowed itself to drop its guard?

Mr de Picciotto says Mr Buffett was lucky that the dot.com bubble burst in time, so he did not have to yield to the pressure. UBP itself was not so lucky with the Madoff phenomenon. Clients pressed the bank endlessly, inquiring why UBP, so strong in hedge funds, was not going in with Madoff.

In the early 1990s, his father Edgar resisted dealing with Madoff. But a decade later, the New York money manager was still around, delivering what looked like consistent returns to clients. So, UBP started a feeder fund which quickly drew money because of the Madoff reputation.

«We always kept it on the low side - 2 per cent of the portfolio - but because of the enormity of the Madoff scandal, 2 per cent was too much,» says Mr de Picciotto.

«Maybe, it was complacency on our part. Or we trusted US regulators too much. After all, Madoff was in New York, with a sizeable company, regulated by the Securities and Exchange Commission. But that's all inconsequential - we learnt our lesson, paid the trustee and clients, and ended the matter.»

It makes me wonder what investors are clamouring for these days and what new products banks like his are coming up with.

Mr de Picciotto says as long as equity markets were booming, especially in the US, it was an easy call. Fixed-income instruments such as bonds used to be neglected. But, with the correction in the markets, things are changing. As they chase yield, customers are looking for higher-yielding private debt and, on the stocks side, more private equity deals - direct investments in companies.

«We built a team two years ago that specialises in direct investments in club deals,» he says, referring to leveraged buyouts and investments that involve two or more private equity firms. «This is something that has great appeal.»

Asian clients, he says, tend to be no different from rich people elsewhere. While their needs and fears are largely similar, what separates the Asian from the rest is how he values risk.

«They are probably more active and ready to take on leverage than their European counterparts. So, it is more about speed and the way to invest that they differ in.»

North-eastern Europe, West and East Asia - driven by China - are clearly where UBP sees its best potential growth. Mr de Picciotto says UBP will grow organically to tackle the demand from the region while staying open to acquisitions, should something worthwhile become available for buying.

«We are trying to hire good people when we find them, but it is tough because, unfortunately, we are not the only ones looking,» he says. «Everyone claims to want to double the number of bankers by next year - I am not sure they will do it.»

Mr de Picciotto's working life started in consulting. Prodded to enter banking by his father, he moved through UBS, Bear Stearns and Morgan Stanley before working for a venture capitalist firm in Silicon Valley from where he was told to come home to help run the family business.

His ambition, he says, is to turn UBP into one of the biggest family-owned banks.

«I always told my father that his first child was the bank - so, we've been all raised to think of UBP as our elder brother,» he says. «Private banking is all about reputation. So, unless the family has an active role in the bank, we should not keep it.

«It doesn't mean we need to have 60 family people - but in the top spots, definitely!»

UBP has a few family people in the stream although it may not amount to what's called a pipeline, he laughs. His brother is chairman of the bank and his sister sits on the bank's board of directors.

His brother's oldest son, who is 35 and trained as a doctor, joined UBP recently. His own sons are working elsewhere in Europe for McKinsey and fintech start-up Revolut. The first son will probably come on board in a few years while the younger one is resisting the family draft, for now.

«With that kind of strong 'pipeline' I am sure we can find one or two competent ones (to run the bank),» he says, laughing.

Divorced, and with his boys away from the family home, I wonder what Mr de Picciotto does in his spare time.

«Banking,» he responds humorously.

I joke back that I did not quite expect him to be playing Monopoly in his spare time.

«I don't like Monopoly,» he tells me. «That said, I go skiing in the winter, and sailing in the summer. Valais, near Geneva, for skiing and Lake Geneva for sailing.»