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LE TEMPS

"UBP will not pull out of London because of Brexit"

The bank, owned by the de Picciotto family, remains confident about the US economy, but is concerned that a weaker British financial centre will hurt Europe as much as the UK. Interview with the CEO following UBP's results announcement on Tuesday.

Union Bancaire Privée (UBP) now manages CHF 118.3 billion of assets, a year-on-year increase of 7.6%. The integration of Coutts International, which it acquired in 2015, has boosted assets under management by almost CHF 25 billion in the last two years. In 2016, the Coutts International deal also pushed up revenue by 24.7% and operating profit by 26% to CHF 192 million. UBP's workforce grew by 15% to 1,665 employees by the end of 2016.

The bank, which is owned by the de Picciotto family, made a net profit of CHF 176.4 million last year as opposed to CHF 25.2 million in 2015, when UBP paid a fine of USD 187 million to the USA. The cost/income ratio has also improved, falling from 69.3% in 2015 to 67.9% in 2016. In an interview with *Le Temps*, CEO Guy de Picciotto spoke to us about UBP's business in today's changing environment.

Le Temps: Now that you have finished integrating Coutts International, are you going to make further acquisitions or are you happy with UBP's current scale (CHF 118 billion of AuM)?

Guy de Picciotto: Why not, if we see an opportunity to strengthen our position in a market where we have less of a presence. But I'm not sure that consolidation will continue at such a rapid pace in the future. Higher interest rates and the stronger dollar will give a boost to banks.

Automatic exchange of information (AEOI) relating to tax matters came into force on 1 January, involving the 28 European Union member-states and nine other countries including Australia and Japan. Have all your clients now made the required declarations?

There was a minority of clients who had not regularised their tax positions on 1 January. We are no longer providing wealth management services to them, and information about them will be sent to their respective tax authorities in 2018.

For a bank of UBP's size (1,665 employees), how much does it cost to prepare for AEOI?

Between CHF 8 million and CHF 9 million: CHF 5 million to upgrade IT systems and CHF 3–4 million to train staff, hire tax specialists and develop a product range suited to each jurisdiction.

What difference is AEOI making to the work done by Swiss banks?

It's not a fundamental change, because preparations for automatic exchange started eight years ago. It has become an integral part of banks' commercial policies. It's now easier for us to have a dialogue with our clients domiciled in the relevant countries. If we also had access to the European market, then we could really do our job.

Given the protectionist impulses of the Trump administration, the prospect of Brexit and China's desire to play a leading role in global affairs, what effect is the new international environment having for a bank focused on wealth management?

In the short term, Donald Trump's policies may affect the dollar, interest rates and stock market activity in the USA. Since his election, he has had a positive effect on all three of those things. Medium-term, it remains to be seen whether he really adopts a more protectionist policy and what action he takes regarding jobs, tax and trade. His withdrawal from the Trans-Pacific Partnership trade agreement, which he announced on Monday evening, was expected.

Are you advising your clients to invest in the US markets?

We adopted overweight positions on the US market in November. We are slightly reducing them now because the market has risen a lot recently, but we remain positive.

Given the prospect of Brexit, is UBP preparing to pull out of London, where you employ 60 people?

We will certainly not be pulling out of London. We currently operate there through a branch of our Swiss bank. In wealth management, we serve mainly Middle Eastern, Indian and British clients. We also manage investment funds from London. The key question is what kind of access London will have to the European markets in future. Depending on how Brexit negotiations turn out, we could decide that the best way to access the European market is through branches of our Luxembourg subsidiary. If banks in the City lose their European passport, the collateral damage will be as great for the European Union as for the UK.

Why?

If London cannot maintain its financial centre and loses its preferential access to the European market, I doubt that that business will move to Paris or Frankfurt. It will probably leave Europe altogether.

But some banks, including HSBC, have already announced plans to move staff from London to the continent.

They are only plans. Let's see whether they are actually implemented. And let's wait and see the result of the French presidential election. Regardless of what form Brexit takes, we need to be ready to react within six months.

Lastly, a Chinese bank is likely to set up in Geneva soon. Is that good news for Geneva as a financial centre?

Absolutely. After Zurich, it's entirely natural for a Chinese bank to have a presence in Geneva, which is a global centre for commodities trading. I just hope that business remains in Geneva after the Corporate Tax Reform III referendum on 12 February...