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Guy de Picciotto: «You Can Still Earn Decent Money»

(Interview by Claude Baumann)

Union Bancaire Privée was never particularly Swiss, according to CEO and co-owner Guy de Picciotto. But the wealth manager has clear opinions about Swiss issues like Libra, negative interest rates, and Credit Suisse's spying scandal.

Mr de Picciotto, since taking over Coutts International, Union Bancaire Privée (UBP) has a strong presence in Asia. Is it important to be a Swiss bank there?

Without a doubt, "Swissness" is important – more important even than in Europe or Latin America. Do we capitalise on it? No.

Why not?

UBP has never been markedly Swiss. When my father – Edgar de Picciotto – founded the Bank in 1969, the big Swiss banking names already existed. In order to stand out, he started to invest in hedge funds very early on making us a pioneer on the investment side. Later on, we began to take over foreign banks, which made us definitely more international than others. Today that's what almost everyone is doing.

Is the story true that in the Bank's early days, your father would leave the lights on in the offices day and night to give the impression of being busy?

He often told me that story, so it's probably true (laughs). But seriously, in comparison with other private banks in Geneva, we were always somewhat different.

Are you going to celebrate UBP's fiftieth anniversary?
That's a tricky question. No. In fact, while it's true that our father Edgar de Picciotto founded Compagnie de Banque et d'Investissements (CBI) in 1969, UBP's roots reach as far back as 1956 when TDB American Express Bank was born, a firm which merged into CBI in 1990 to become UBP. So that's another distinguishing feature of our Bank: it has several birthdays! And some will remember that we already celebrated it in 2006. But we celebrated again internally in june this year. Well, who ever said we do things like everyone else? (laughs)!

In recent years, UBP has taken over a range of competitors in Switzerland, such as the international private banking arm of ABN Amro, Lloyds International Private Banking and most recently, Coutts International. This British institute was traditionally very strong in Asia. Does this mean you've reached a critical mass in the region?

No. That definitely cannot be said with CHF 18 billion in private clients' assets under management. Our closest competitors are around twice as big as us. In order to stay on clients' and other relationship managers' radars, we have to grow further. Admittedly, that's tough, as it's what every bank is trying to do.

Does that mean the next acquisition is already on the agenda?
In Asia we can definitely grow organically and we're hiring larger teams of relationship managers (RMs). However, another acquisition would certainly help us to take a quantum leap forwards. That said, at the moment there aren't any attractive takeover targets.

Has a new cycle begun, following the recent years of consolidation?

Probably. Financial institutions that had to review their strategies and have come to the conclusion that they should pull out of Asia or Switzerland, have since done so. The wave of consolidations has come to an end.

What would be the critical mass for UBP in Asia?
There's no exact figure. We are profitable in Asia but we haven't yet reached critical mass. The level is probably around the point at which it becomes too big to be managed properly and according to our culture and values.

What's your growth rate if you just grow organically in Asia?
Michael Blake: Over the last three years, we've grown by 45%. To my mind, that's a healthy rate of growth that we want to sustain, but this has to happen in a controlled way. We don't want to take on thirty new RMs in one year only to cut twenty of them twelve months later. If we keep up the current momentum, so about ten to fifteen new RMs per year, that's about right.

What effects are the ongoing pro-democracy demonstrations in Hong Kong having on your business?

Let's put it this way: clients are concerned but at the moment they're waiting to see how the whole situation develops.

In financial circles, there's talk that the wealthy are relocating their assets from Hong Kong to Singapore. Is that true?

The problem with that assertion is that it's complete hearsay. In other words, you can't prove it, or at least it's not what we're seeing.

Guy de Picciotto: In all honesty, I doubt this is happening, although there might be banks that are working on it.

Do you now go to Hong Kong more often to monitor the tense situation there?

Blake: No. Generally I'm in Hong Kong about twice a month. In terms of our day-to-day business, there has been no major change. There remain a lot of business opportunities across the whole Greater China region, including in Hong Kong.

Where in Asia is UBP seeing the strongest growth?
Definitely in Greater China, so China, Taiwan and Hong Kong. Business with non-resident Indian – or "NRI" – clients is also attractive and the Singapore and Thai markets are showing significant growth.

How do you convince clients to opt for UBP rather than for one of the myriad other banks?
In Asia, we are seeing strong demand for tailored asset management mandates, especially from clients with assets of at least CHF 10 million. At UBP, private clients can benefit from the solutions offered to institutional clients and this makes a difference. On top of that, we've got a great deal of know-how in advising family offices, as well as advising wealthy families, who want to set up a family office. This is an expertise we've recently launched in Asia.

The big private banks in Geneva are keen to stress that they've been family-owned for hundreds of years. UBP is also family-owned, but it doesn't put this fact centre stage. Why not?

The vast majority of wealthy clients in Asia aren't at all familiar with Swiss Private Bank brands and history. Besides, hardly anybody knows how to pronounce my surname (laughs)! Being family owned is an advantage, but what really matters is having RMs who know their clients, understand their needs, and deliver.

You mentioned that you headhunt whole teams from your competition. Do these RMs also manage to convince their clients to change banks?

Blake: That really depends on the particular client relationship – how long it's existed and how close it is.

De Picciotto: Some teams that we've hired come over because they no longer feel comfortable elsewhere due to internal restructuring. Generally, their clients then come with them. It sounds cynical, but I often say that in banking, you often grow because of others' mistakes. That's why we have to make fewer mistakes than the others. It sounds worrying, but it's true.

In Asia, the signals are pointing to growth. How are things looking in Switzerland?

Different. Swiss banking is still fighting old battles. Laws and regulations are constantly changing and getting stricter, and access to the European market will probably never happen. This means we need to get out; meanwhile local European banks are becoming ever more competitive and there's a bitter pricing war raging. I have no idea where it will all end up.

In other words, you can't really grow in Europe.

It takes a lot of effort. Without a doubt, Germany is attractive and we work on this market out of Zurich. In contrast, France – which was formerly very important – is no longer a priority market for us, as a lot of wealthy French clients have decided to relocate outside of France Italy, is attractive and we have growth plans in the near future.

What about Brexit?

What Brexit (laughs)? In my view, Brexit won't have any effect on wealth management in London. That's why we're expanding our presence on the Thames further and these plans can't wait for the outcome of the Brexit negotiations.

How are things going in Zurich, where the former Notenstein CEO, Adrian Künzi, has taken the helm?

Really well. We've got CHF 25 billion in assets under management in Zurich, making us the biggest Geneva-based private bank in the city. We're growing and we're looking to hire more talented RMs.

The last few weeks in Zurich have seen a spying scandal involving a top manager at Credit Suisse, which has caused quite a stir. Do you think that this sort of thing harms banking?

At best, that is just a footnote, a side effect. I don't understand the problem. It's simply a matter of a few egos clashing. Spying on a manager who has gone over to the competition to make sure he's not poaching anyone? Honestly! Is it effective? Not at all.

Even the prestigious Financial Times picked up on the spat.

The International press uses any opportunity to criticise the Swiss finance, whereas they should be looking closer to their home financial sector

Foreign countries are regularly talking up the demise of Swiss banking. Is this justified?

The market is far too sluggish. Today, on the one hand, there are the private banks with more than CHF 100 billion in assets under management, whereas on the other hand there's the banking boutiques with CHF 30 billion and less. Almost everything that fell in between has been consolidated. Will there be other mergers? Not in the short term. The margins are still ok , and there needs to be a general worsening of the market as a whole before more smaller institutions will be forced to merge or shut up shop.

Could negative interest rates bring some banks to their knees?

Of course negative interest rates are having an effect. However, many banks are clearly still holding back from passing these on to their clients. Many banking houses say this but they don't practise it, as they're worried about losing clients. And as long as the competition doesn't do it, we see no reason to press ahead with it.

Yet some banks have already started charging negative interest rates on high cash holdings.

That's why in this year alone we've paid out a total of CHF 35 million in negative interest on euro- and Swiss-franc-denominated assets. Lots of clients are holding on to their cash accounts because they can't see any safer investment possibilities. Fixed-income investments don't offer much yield, equities show very high valuations and the global geopolitical chaos is unsettling. Real estate is still an option, though.

How are hedge funds and gold looking?

We've increased our allocation to hedge funds to 7% in our portfolios, as, in recent years, this asset class wasn't particularly well-regarded by investors. Gold is a recurrent key component of our investment strategy. That was the case in the 1970s as well as during the 2007/8 financial crisis. At the moment, we're upping our gold allocation, as we've got less and less trust in currencies.

Are cryptocurrencies the alternative investment of the future?

Our clients have expressed little interest in cryptocurrencies. In contrast, however, I think that Facebook's cryptocurrency, "Libra", is an interesting project and one that could be a real success. In comparison with Bitcoin, Libra will be more stable as there's an oversight committee and Facebook users offer a massive potential client base for this virtual currency. In contrast, in the near future, I see an "e-renminbi" controlled by the Chinese. That could mean that, sooner or later – perhaps in twenty years – the US dollar will be replaced. We have developed specific know-how on the compliance side in order to handle all requests crypto-related, although that said, we're not offering any crypto products.

What keeps you motivated to stay in banking?

If we're being honest, banking is still a "good"business. If you work hard, you can still earn decent money. Margins have been massively slimmed down, but, in comparison with other industries, they're still comfortable, and the global level of available assets continues to grow unchecked.

You're 59 years old. Have you already appointed your successors at the Bank?

Not yet but involving the next generation keeps me busy! My nephew (my brother's elder son) decided to join the bank in May 2018 after practising internal medicine and oncology for 7 years. He's currently working on the private-equity side and he'll soon be heading to Hong Kong for one or two years to gain experience. My elder son, who's 28, worked for a large consultancy firm and now wants to found a start-up in the UK that offers the chance to invest with small amounts of cash. My younger son (26) recently left a well-known UK fintech and will be starting with a Zug-based private equity firm at the beginning of 2020. When they reach 30, I hope they'll join UBP.