



*cutting through complexity*

Financial Services

# Performance through focus

Seizing the global  
private banking opportunity

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Institute of Management



University of St.Gallen

A study by KPMG AG Switzerland in co-operation with the Institute of Management at the University of St. Gallen and the KPMG member firms of Luxembourg, Austria, Singapore and Hong Kong.

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# Foreword

The private banking industry continues to offer huge potential, due to the opportunities presented by evolving client demands and product innovation worldwide, not least in the high growth markets of Asia, Latin America, the Middle East and Russia.

The past few years have undoubtedly been difficult for private banking, however, with high market volatility and low interest rates reducing yields and driving funds towards 'safer' cash and real estate holdings. Together with the rising cost of regulation, these factors have placed severe pressure on the industry's margins. As private banks need to focus on growth and margin enhancement, a well articulated and targeted vision and strategy is required on how to best serve the evolving marketplace.

Against this backdrop, KPMG conducted in-depth interviews with 82 board-level executives at private banks from a cross-section of European and Asian private banking centers: Switzerland, Hong Kong and Singapore for their focus on high growth markets, Luxembourg and Switzerland for their focus on Western markets, and Austria in view of its focus on both on-shore and Eastern Europe / the CIS offshore markets.

This, the third in our annual surveys of private banking trends, provides powerful insights into success factors for private banks around the world and on the key challenges and opportunities facing the industry, with interviewees' opinions accompanied by recommended 'agendas for action' based on our industry expertise and analysis of survey responses by KPMG and the University of St. Gallen.

Asking whether banks are doing enough to realize the opportunities before them, we address some central questions driving the growth agenda:

- How are geographic strategies being refined in the new regulatory environment?
- What are the key selling propositions and how do banks seek to differentiate themselves to clients?
- Is there sufficient understanding of the profitability and performance of individual client segments and how best to serve them?
- Is the development of CRMs' skills keeping pace with client demands?
- How are product and service offerings evolving to meet changing priorities?
- What is the untapped potential for technological innovation in interactions with clients?

We identify seven areas of focus that are key to sustained success. For those banks that get the focus right and form precisely and clearly communicated strategies, there is every chance of seizing the opportunities ahead.

KPMG would like to thank all interviewees for their participation.

We hope you find the publication thought provoking.



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# Executive Summary

A clear vision over client and service development is central to sustained success. Banks that seek to differentiate themselves – through products and services, client advisory or technology, among other factors – and have a targeted, market-oriented strategy will be best positioned to compete in this demanding market.

While many banks have found it necessary to concentrate on cost control over recent years, the time has come for a greater emphasis on revenue enhancement. Cost management remains important, but it is only half the equation. Only by looking outside the bank and focusing clearly on market opportunities will they be able to grasp the opportunity. This is especially true for small to medium-sized players.

A greater emphasis on revenue enhancement can help banks to avoid hitting the ceiling of possible margin improvement, mitigating the risks of further deteriorations in market and pricing pressures. However, new product development and investment presently occupy a low position on many global private banks' agendas, in part dictated by a need over the past few years for many to fight in order to remain afloat.

A successful bank will be one that manages to achieve the balance to meet their particular client segments' needs. While the precise strategy will differ depending on a bank's business model and the markets served, there remain opportunities for banks to differentiate and to employ a sharper focus on existing and upcoming client demands, being proactive in seizing the opportunities.

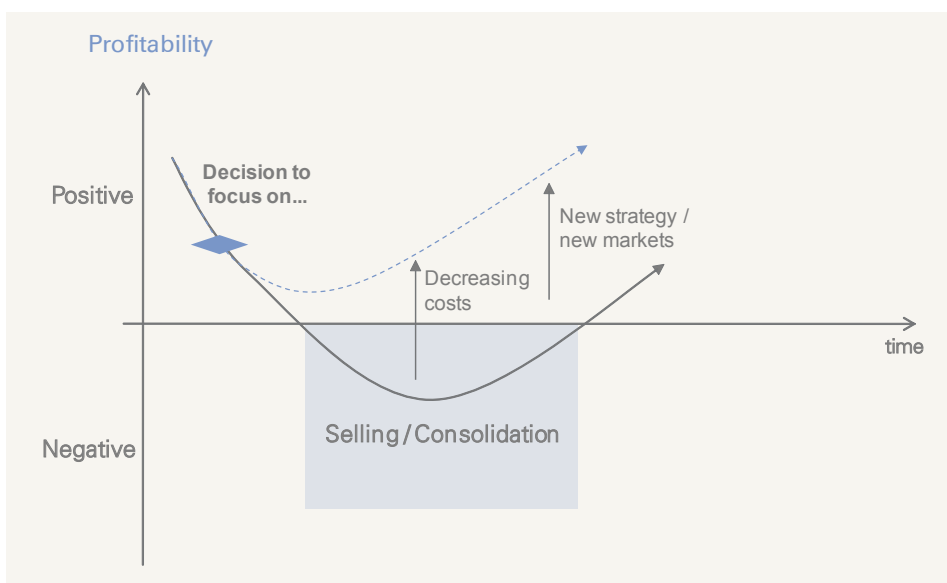


Figure 1: Timely refocusing of the bank's strategy to sustain profitability

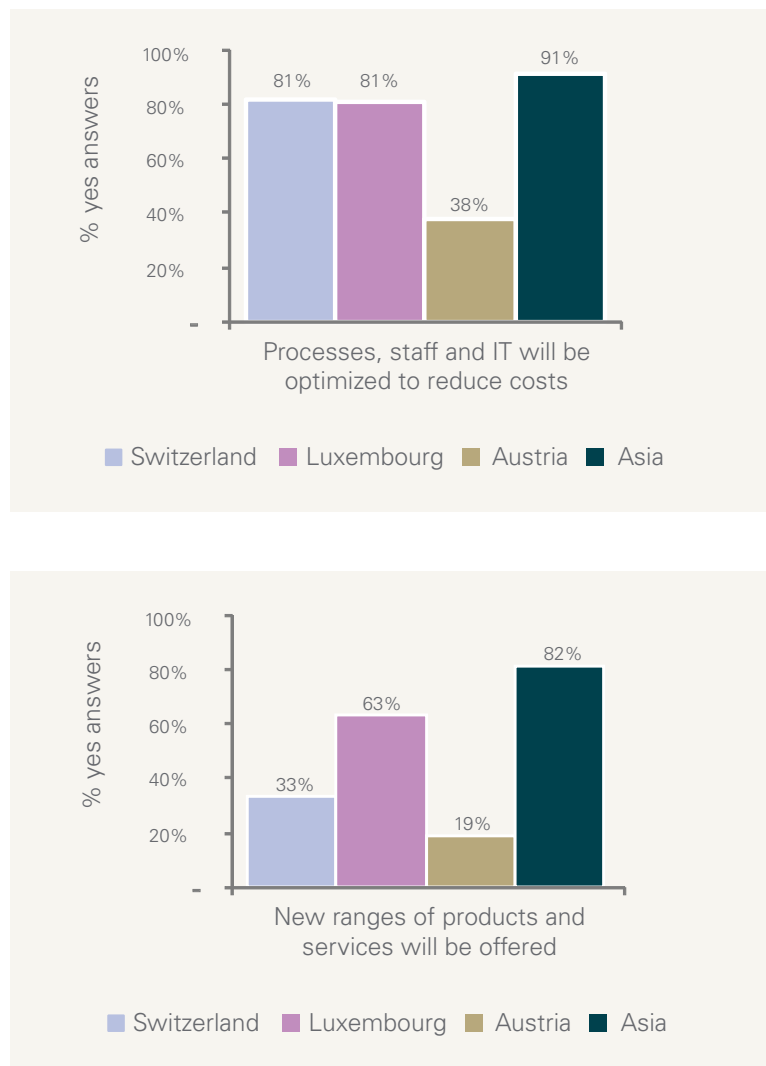


Figure 2: Measures to be taken to meet clients' expectations



1

## Individual bank differentiation gaining importance

### Key observations:

- National political stability and client confidentiality cited as selling propositions but are not sufficient differentiators
- CRM skills and experience, bank culture and product offering vary in importance between markets
- Pricing is not a key selling proposition

### Agenda for action:

- Have a clear view over your bank's own differentiators and distinguish them from national market characteristics
- Enhance specific competencies that are key to the markets you target
- Develop CRM knowledge and skills to support your differentiators

2

## A focused geographic strategy is a necessity

### Key observations:

- A lack of clearly articulated visions over target markets prevails, risking sub-optimal strategy and performance
- Classic cross-border banking model remains dominant but is increasingly limited by regulation; smaller banks particularly affected
- Critical mass increasingly important, though small banks may occupy profitable niches

### Agenda for action:

- Identify markets with high potential based on your ability to generate new business and sustain critical mass
- Determine long-term cross-border business model
- Identify potential non-core markets to exit

3

## Tax transparency is critical, with a client focus on post-tax returns

### Key observations:

- Global regulations encourage a more focused business model. Flexibility and efficiency of solutions are key to keeping pace with regulatory change and ensuring cost-efficient compliance
- Approaches and timings in dealing with legacy issues vary considerably. However, the adoption of a tax transparent strategy is required; it is no longer optional
- A holistic approach to clients is increasingly necessary, with a clear focus on the post-tax returns of proposed products

### Agenda for action:

- Understand the impacts of increased global regulations on your business model. Determine how to keep solutions flexible yet efficient and competitive
- Determine how proactively you support clients' tax transparency
- Identify measures to more holistically serve clients, focusing on post-tax performance

4

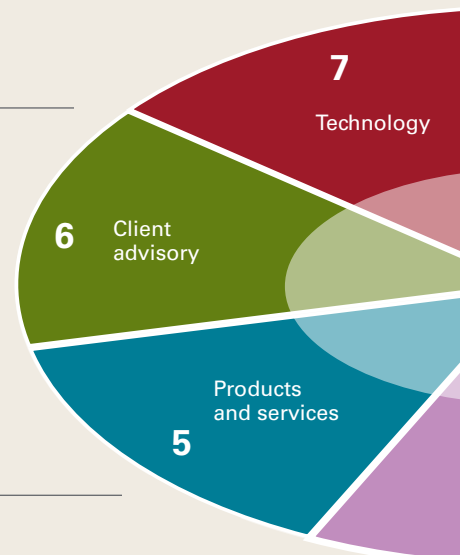
## More precise understanding and targeting of client segments required

### Key observations:

- Due to regulatory changes and market environment, smaller banks need to find profitable niches to serve
- Measuring and understanding performance (profitability) of client segments is critical
- Technology supports the identification of client behaviors and attributes for segmentation, and most suitable products and services to offer

### Agenda for action:

- Analyze client segment performance and consequent client approaches
- Articulate niches served and ensure appropriate matching of CRM skills





## Anticipating clients' evolving product and service needs

### Key observations:

- Private banks must accurately define which target clients they aim to serve and differentiate through products and services for these specific clients
- Offering of integrated services, such as corporate and investment banking services is an important success factor for winning Asian private banking clients
- Clients' demands for more service for less money is creating continuous fee pressure

### Agenda for action:

- Accurately define your target clients and seek to differentiate through products and services for specific target clients' needs
- Review and optimize your fee structure in light of changing client demands
- Improve cross-selling capabilities between corporate investment banking services and private banking for Asian clients

## Client advisory enhancement through specific, technical CRM development

### Key observations:

- Skilled CRM shortage is exacerbated by changing client needs
- Training is expected to become more technical and IT driven, including specific regulatory impacts and tax effects on risk profiles
- Powerful research capabilities to respond to client information requests consistently and in a timely manner are crucial. Technology support is indispensable

### Agenda for action:

- Identify potential for enhancing client-CRM interactions through improved use of technology and through focused events
- Ensure CRM training reflects current needs such as tax and regulation impacts, product know-how and sales / client acquisition capabilities
- Be innovative and mid-term oriented in the choice of sustainable KPIs to measure CRM performance; review regularly

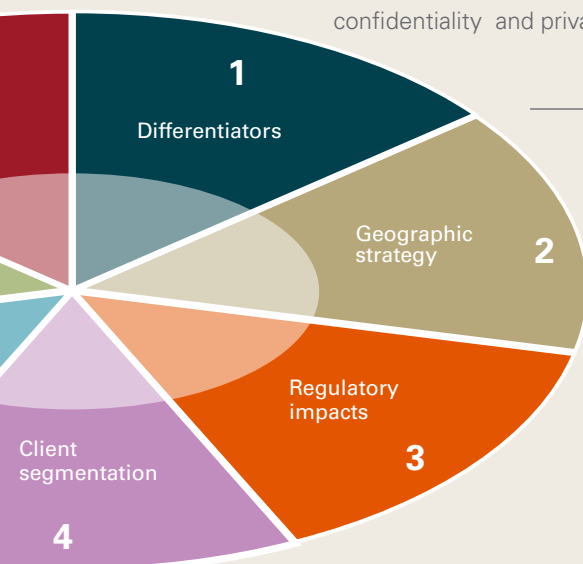
## Leapfrogging the competition: enhancing service delivery through mobile banking

### Key observations:

- Potential benefits of mobile and internet banking are not well understood
- First mover advantages can differentiate, helping to target Asian clients and younger generations
- Controls and usage can minimize exposure to confidentiality and privacy risks

### Agenda for action:

- Assess potential improvements to client-CRM interactions and service quality
- Determine which services to offer, how to price them, and how to achieve an optimal roll-out across the bank and client advisory
- Identify available solutions and how to integrate into core banking infrastructure



# The external environment: opportunity or threat?

Significant country variations exist in how banks view their external environments, in particular whether banks consider regulatory, macro-economic and technological developments as threats or opportunities.

A strategic issue management framework was applied in the analysis to obtain a deeper understanding of private banks' perceptions of external changes relating to regulatory, macro-economic and technological trends. Specifically, it was examined whether private banks framed external environmental changes predominantly as threats or opportunities.

## Economic and regulatory changes

Significant country differences were identified in private banks' perceptions of economic and regulatory changes. Private banks in Switzerland and Luxembourg had a tendency to see ongoing volatility as an opportunity, being generally more prepared to deal with such issues.

Asian banks were less concerned about the economic crisis (perhaps as Asia was hit less hard by recent economic troubles and remains a strong growth market), being more preoccupied by potential regulatory changes that various Asian governments could impose on them or their customers. Austrian banks were the most concerned about both economic and regulatory trends, primarily due to the increasing cost of compliance challenging business model profitability (cost - income ratio).

## IT environment

There was a general acknowledgement from Swiss and Asian banks of the possibilities offered by IT. Fewer private banks in Luxembourg and Austria tended to regard this area as an opportunity.

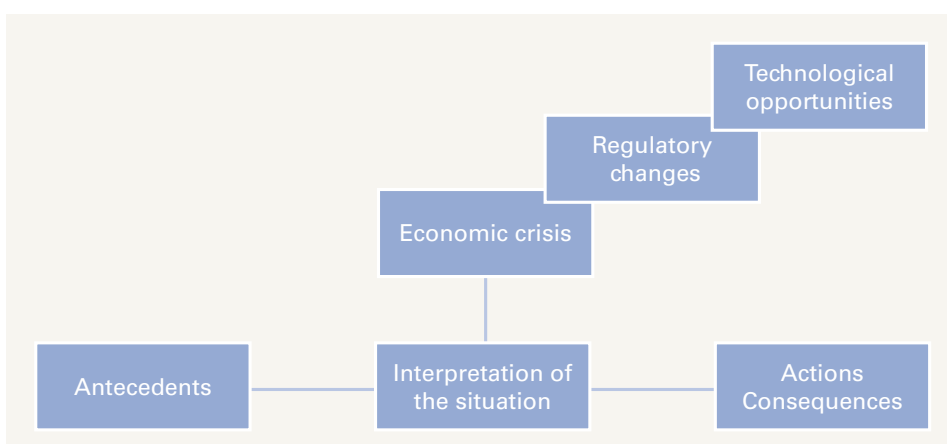


Figure 3: Analysis framework

Source: University of St. Gallen

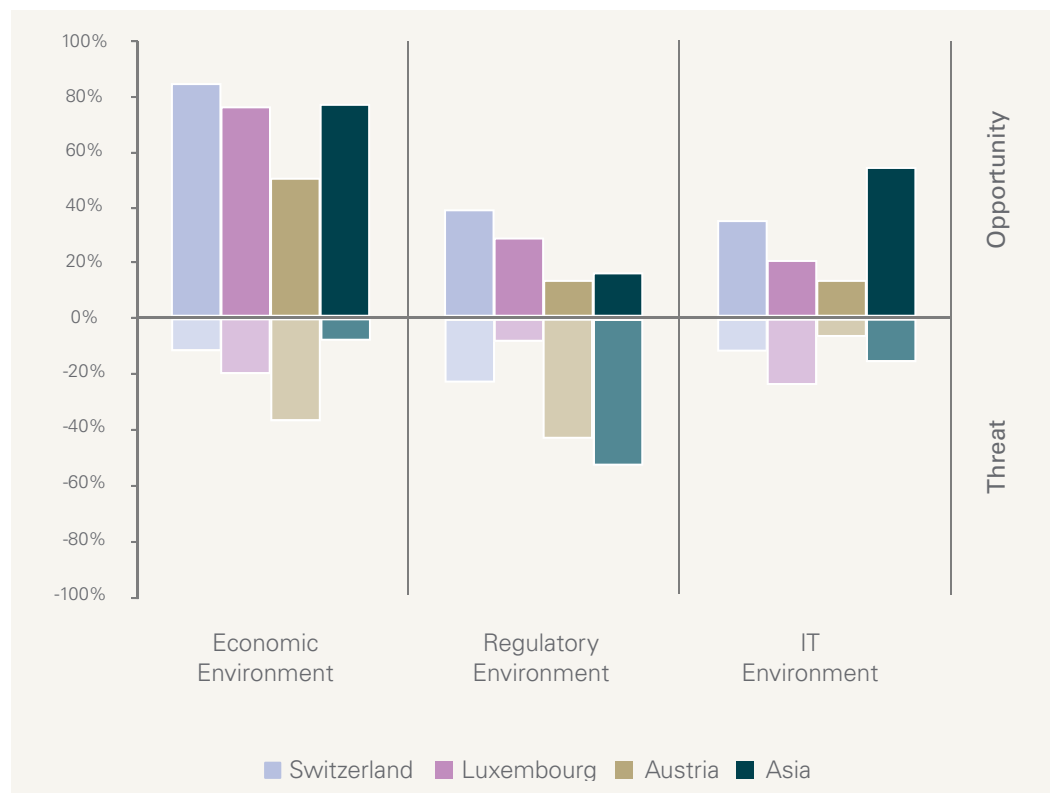


Figure 4: How private banks frame external changes

# Differentiators

## Individual bank differentiation gaining importance

Common to all countries surveyed is the importance attached to perceived cornerstones of national competitive advantages, such as political stability and client confidentiality. Brand, culture, products and CRM skills are seen as the key differentiators at individual bank level.

### Key observations:

- A reputation for political stability, predictability of legal decisions, tax stability and client confidentiality is the most important selling proposition. As the view of the vast majority of interviewees, it is insufficient to differentiate an individual bank either domestically or internationally
- The focus for differentiating individual banks rests on culture, CRM skills and product offering, with the precise focus depending on the geography in question
- While pricing and technology are integral, neither is seen as a key selling proposition

«Luxembourg's financial engineering 'toolbox' of legal vehicles, the EU passport, and the international diversity of our employees... are key enablers for us in servicing our clients effectively on a cross-border basis.»

Luxembourg-based interviewee

More than nine out of ten interviewees in each of Luxembourg, Switzerland, Austria and Asia cited political stability as being the key selling proposition for their respective country. Confidentiality was noted as the second most important, though slightly lower in Asia. A divergence of views was noted over tax stability, with 92 percent of Asian interviewees ranking it as key compared to 76 percent in Luxembourg and around 59 percent in Switzerland and Austria.

### Within your control: individual banks' selling propositions

Banks will struggle to differentiate themselves based only on national characteristics, which by nature are shared by all domestic competitors. The discussion therefore turns to where banks can truly differentiate themselves, in which there is a range of views depending on a bank's domicile.

Asian-based interviewees see CRM skills and individual geographic market experience as being the foremost differentiator, followed by product offerings. This may reflect the fact that as interviewees note a general shortage of qualified CRMs in Asia, those banks that employ good CRMs can use advisory quality as a key selling point. Meanwhile, Luxembourg-based interviewees clearly see financial engineering capabilities as their key selling proposition. A bank's own culture is viewed by Swiss interviewees as the primary success differentiator.

It is noteworthy that no country sees pricing or technology as a key differentiator.

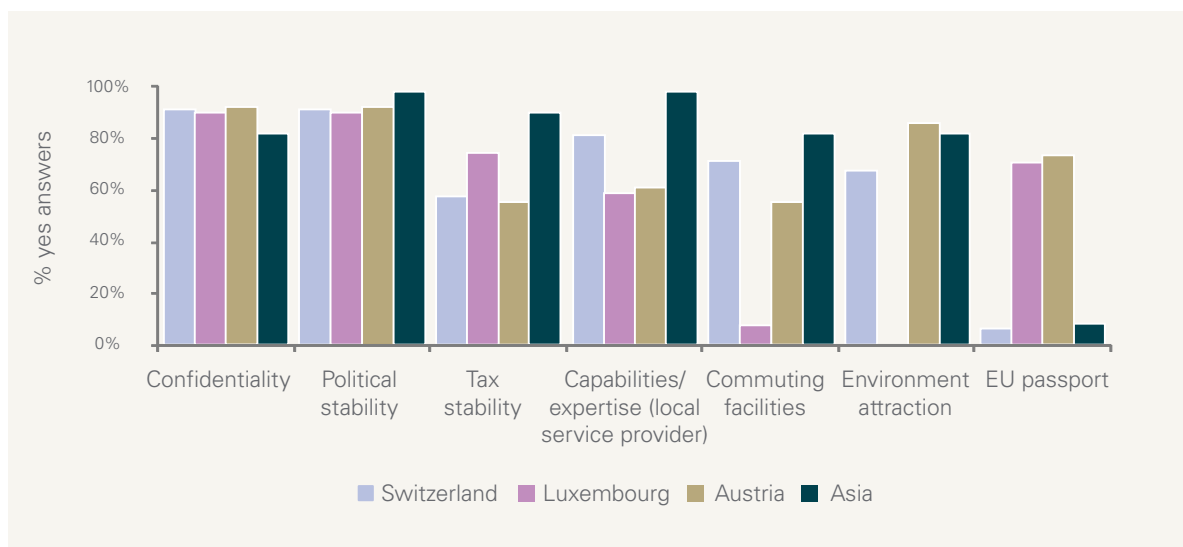


Figure 5: Key selling propositions (differentiators) for your home jurisdiction

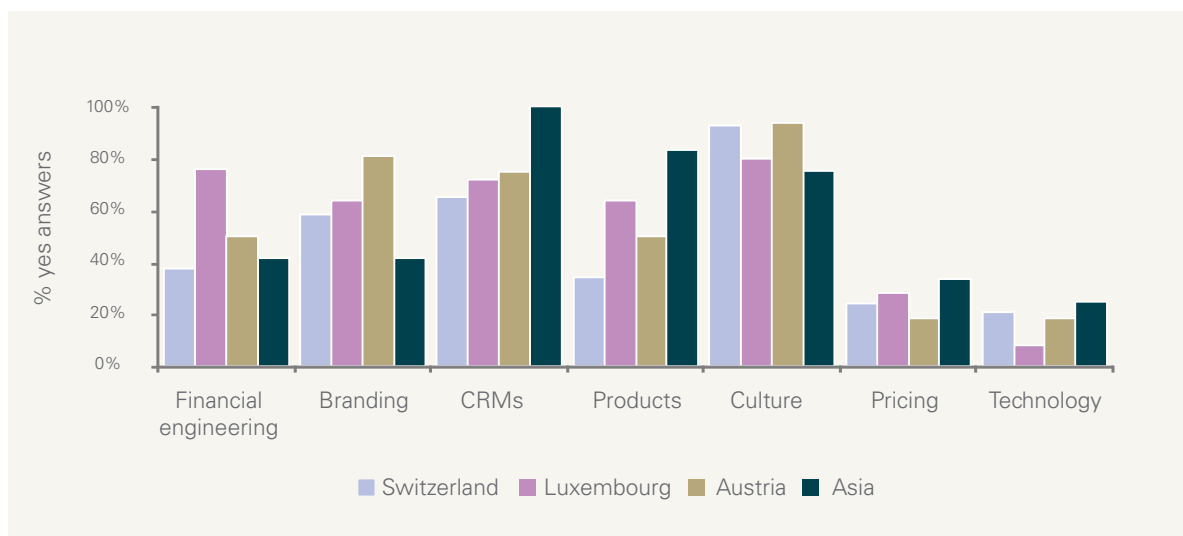


Figure 6: Key selling propositions (differentiators) for your bank

## AGENDA FOR ACTION

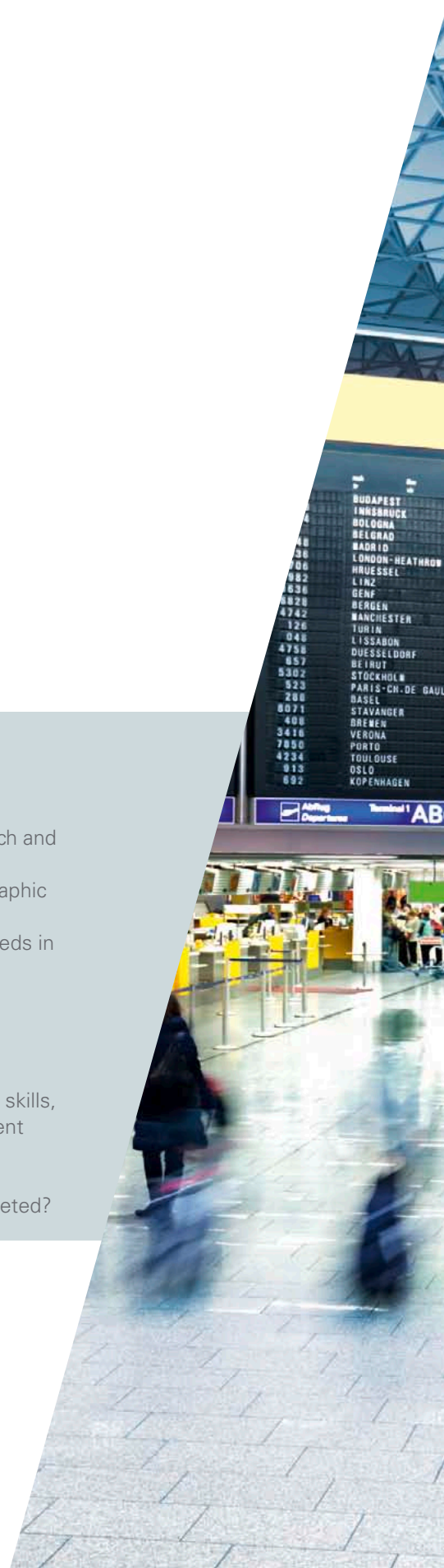
Key areas private banks should consider in terms of differentiators include:

### Differentiation:

- To what extent does your bank differentiate itself, customize its approach and articulate strengths to meet individual client segments' needs?
- How are these selling propositions adapted to clients in different geographic markets?
- How is your suite of products and services evolving to meet clients' needs in different markets?

### Supporting competencies:

- Which competencies is your bank actively building in order to attract new clients?
- Does your bank devote sufficient time and resource to enhancing CRM skills, for instance through cultural and product training tailored to specific client segments?
- Do you observe growing demand for technology-enabled channels or services by CRMs or particular client segments – either existing or targeted?







Flughafen	Flugnummer	Flughafen	Flugnummer	Flughafen	Flugnummer		
2119	1 A 050-461	A20	900	HAMBURG	2119	1 A 050-461	A
2119	1 A 050-461	B	8788	BILMUND	2119	1 A 050-461	A
2119	1 A 050-461	A30	554	GOETTER	2119	1 A 050-461	A
2119	1 A 050-461	A10	048	BERLIN-TEGEL	2119	1 A 050-461	A
2119	1 A 050-461	U01	706	WIEN	2119	1 A 050-461	A
2119	1 A 050-461	A	082	KAZAN-SAMARA	2119	1 A 050-461	A
2119	1 A 050-461	B	1838	MILANO-MALPENSA	2119	1 A 050-461	A
2119	1 A 050-461	B	6828	MELBOURNE	2119	1 A 050-461	A
2119	1 A 050-461	B	4742	ROM-FIUMICINO	2119	1 A 050-461	A
2119	1 A 050-461	B	328	NIZZA	2119	1 A 050-461	A
2119	1 A 050-461	A	040	KATOWITZ	2119	1 A 050-461	A
2119	1 A 050-461	A	4758	VENEDIG	2119	1 A 050-461	A
2119	1 A 050-461	A	657	MÜNCHEN	2119	1 A 050-461	A
2119	1 A 050-461	A	5302	GRATZ	2119	1 A 050-461	A
2119	1 A 050-461	A	530	STUTTGART	2119	1 A 050-461	A
2119	1 A 050-461	A	7880	SINGAPUR	2119	1 A 050-461	A
2119	1 A 050-461	A	8071	LEIPZIG HALLE	2119	1 A 050-461	A
2119	1 A 050-461	A	408	PRAG	2119	1 A 050-461	A
2119	1 A 050-461	A	3416	BRUXELLES	2119	1 A 050-461	A
2119	1 A 050-461	A	7850	ISTANBUL	2119	1 A 050-461	A
2119	1 A 050-461	A	4234	KIEV-BORISPOL	2119	1 A 050-461	A
2119	1 A 050-461	A	813	KOELN-MBF	2119	1 A 050-461	A
2119	1 A 050-461	A	892	ABU DHABI	2119	1 A 050-461	A
2119	1 A 050-461	A		JAKARTA-SINGAPUR	2119	1 A 050-461	A
2119	1 A 050-461	A		HANNOVER	2119	1 A 050-461	A





## Geographic strategy

### A focused geographic strategy is a necessity

While geographic growth strategies arise from an individual bank's strengths, they also tend to be closely associated with a bank's domicile, with the choice of growth markets often being based on the reputation and competitive advantages of a bank's home country.

Clear growth potential exists in the global private banking market. Banks across Luxembourg, Switzerland and Asia typically see current difficulties in the industry as an opportunity, with only Austrian banks viewing them as a threat. The challenge is how best to refine strategy in order to leverage the individual bank's strengths and to optimize growth. Too many banks seem to rely on the traditional cross-border model, which, in the context of evolving regulation, is increasingly limited as a means of actively approaching clients abroad.

#### Key observations:

- Despite growth ambitions, a number of banks lack a clearly articulated vision over which geographic markets they plan to focus on. Such a vision is necessary to drive strategy and profitability and may include exiting selected markets, foregoing AuM in order to devote scarce resources elsewhere
- The classic cross-border banking model remains the predominant means of serving foreign markets but is increasingly limited by regulation. This increases the importance of having an expensive local presence in certain markets or co-operating with local partners
- Critical mass is becoming more important but there will be opportunities for smaller players to occupy profitable niches if they position themselves appropriately and concentrate their resources on servicing the respective clients

Luxembourg-based private banks are primarily concerned with serving the Western European market, while their Austrian counterparts seek to leverage their close ties with Eastern Europe due to their geographic and historic proximity, eyeing eastward expansion into the CIS.

Asian-based banks look first and foremost to their own region, with Swiss banks showing the greatest geographical spread ambitions with targets around the world.

#### Switzerland: is traditional cross-border business sustainable?

As identified in last year's study, many Swiss private banks are actively targeting the major high wealth growth economies in Asia, the Middle East, Latin America, CEE and the CIS.

Two thirds of Swiss interviewees are pure players, many of them reliant on a traditional cross-border approach as a key way in which to acquire new clients. Growing limitations in both regulatory and cost terms raise questions over the sustainability of this approach. However, the significant investment required to build an onshore presence is such that even large players have in the past struggled to break even in such operations. For small banks it can be yet further out of reach; co-operation with local players may be more feasible.

A clear focus is required over which markets a bank can serve, including the identification of non-core markets for possible exit. The implied need to forego AuM in the transition phase may be painful. In theory, it could lead to banks swapping client portfolios in

given countries, although such 'asset swaps' have so far proven difficult to execute.

#### **Luxembourg: EU passport as a competitive advantage**

Leveraging their EU passport, Luxembourg-based private banks can operate in any of the other 26 EU countries with relative ease. Consequently, the regulatory environment is seen much more as an opportunity than a threat and most Luxembourg interviewees have a strong focus on Western Europe. Building a presence in emerging markets is especially challenging for these banks, as they are starting from a low base, and a swifter M&A growth strategy is precluded due to a scarcity of available targets in many markets, in addition to a relatively lower profile and experience of serving clients in such markets.

#### **Asia: staying close to home**

Interviewees in Singapore and Hong Kong view Asia as their primary growth market, being better placed culturally and geographically to serve the high growth markets on their doorsteps. Targets mentioned most often include Greater China, India, Indonesia and the Philippines.

Asian concerns revolve around the range of products and services to offer, obtaining good CRMs and how to cope with increasing regulation. The scale of the challenges and opportunities in the region generally means that the resources and attentions of private banks based there are absorbed entirely by the region, limiting

their desire to look for growth opportunities elsewhere in the world. This may be good news to those European banks that in our last two private banking surveys expressed a fear of losing customers to Asian centers, especially Singapore.

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«Foreign banks will have a bigger struggle on the Swiss market than pure domestic banks to defend and gain market share in the private banking market.»

Swiss-based interviewee

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#### **Austria: leverage geographic and historic proximity**

Austrian banks leverage their geographic and historic proximity to CEE and CIS countries and their geographic position as a hub between Eastern and Western Europe. They view CEE and the CIS as their primary growth markets, while banks located on the western border of Austria view Germany as the big growth market on their doorstep.

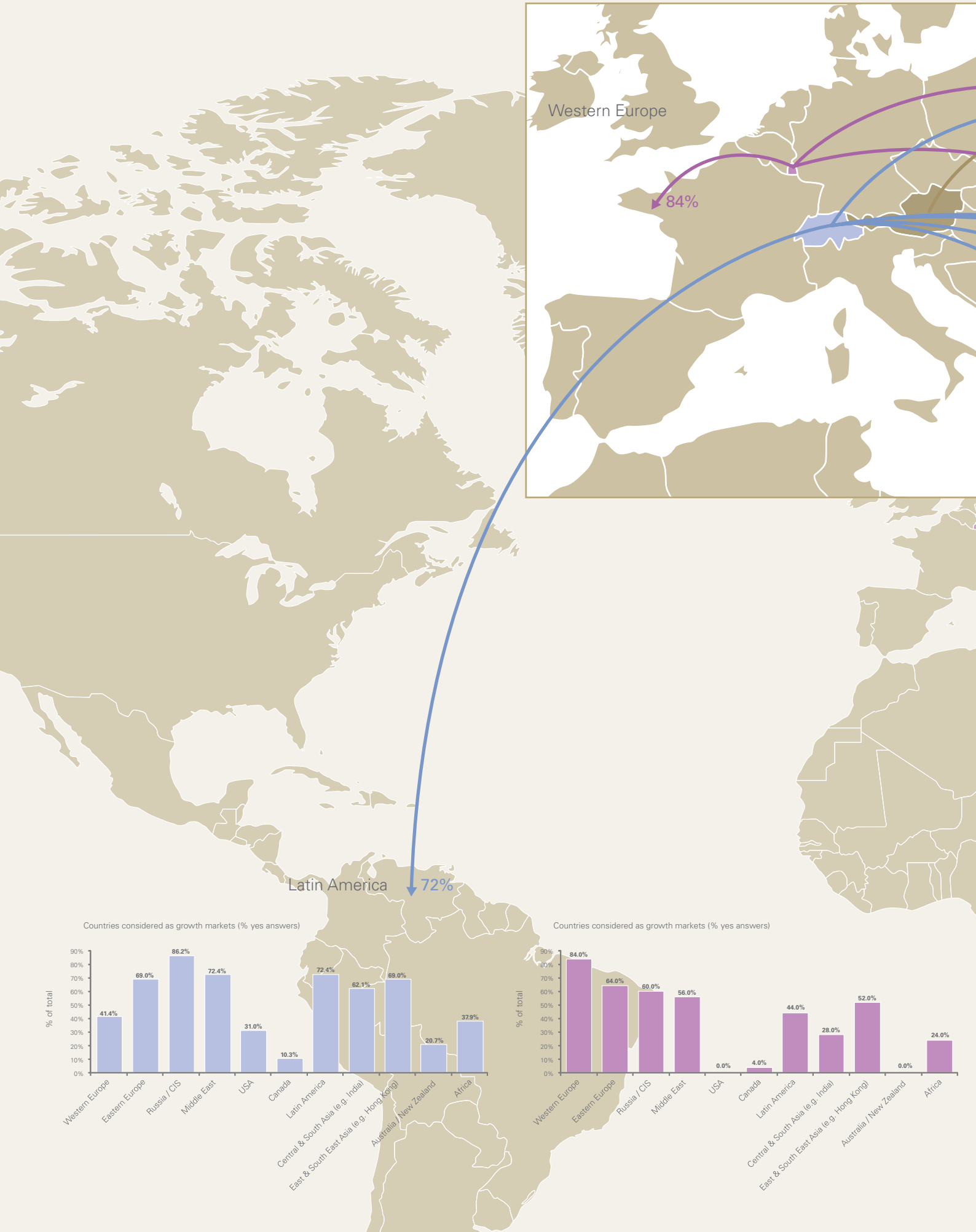
#### **Enablers and inhibitors of cross-border client acquisition**

68 percent of small banks ranked increasing cross-border regulation as their number one inhibitor. Client access has become more restricted over recent years, slowing client inflows, as evidenced in KPMG Switzerland's private banking database<sup>2</sup>. Other major inhibitors cited are size of operations and IT infrastructure. These factors combine to suggest that there is a growing imperative

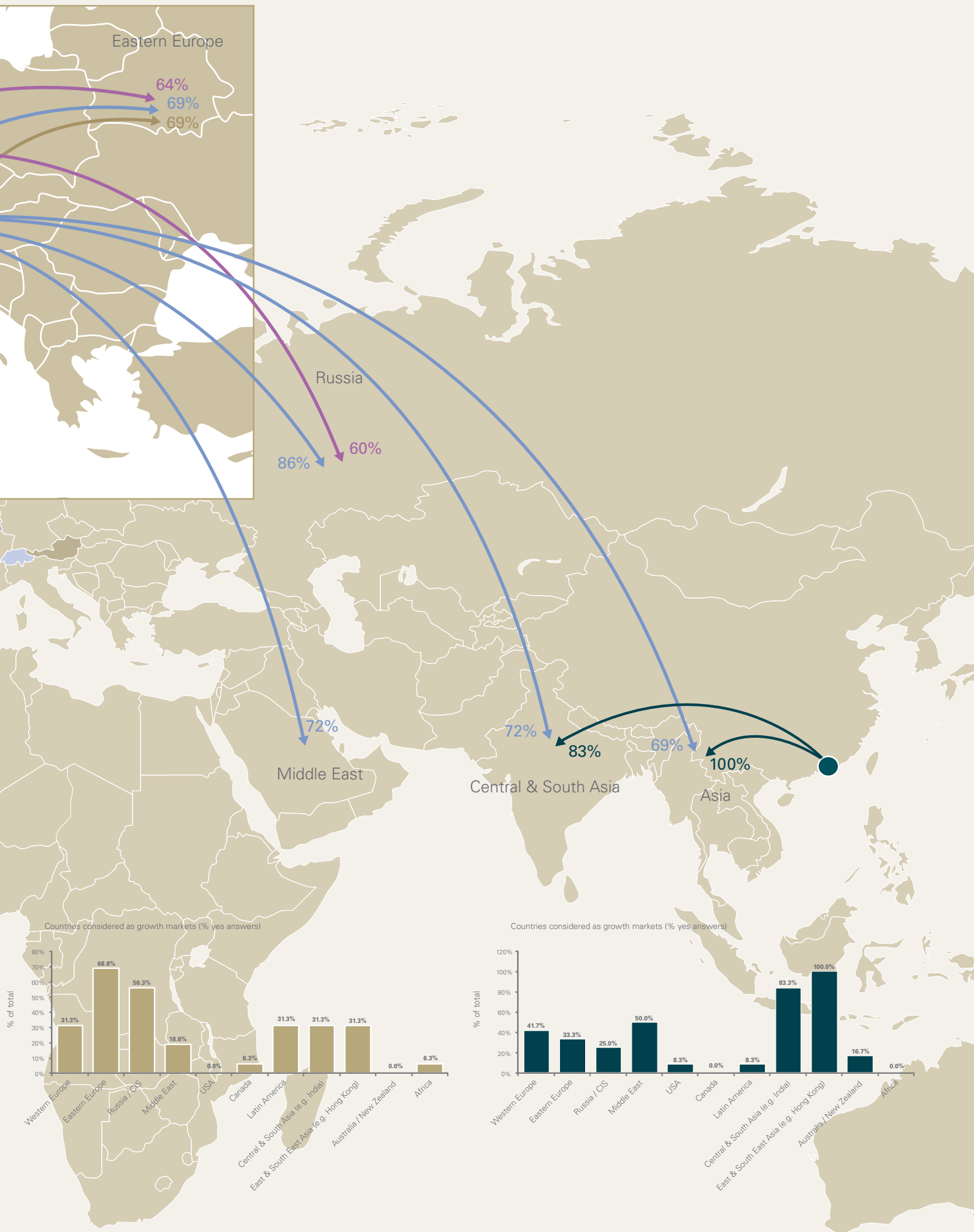
<sup>2</sup> KPMG AG's Private Banking Database is a proprietary tool to track the performance of the Swiss private banking industry. The database includes the financial information of more than 100 Swiss private banks, since 2005.

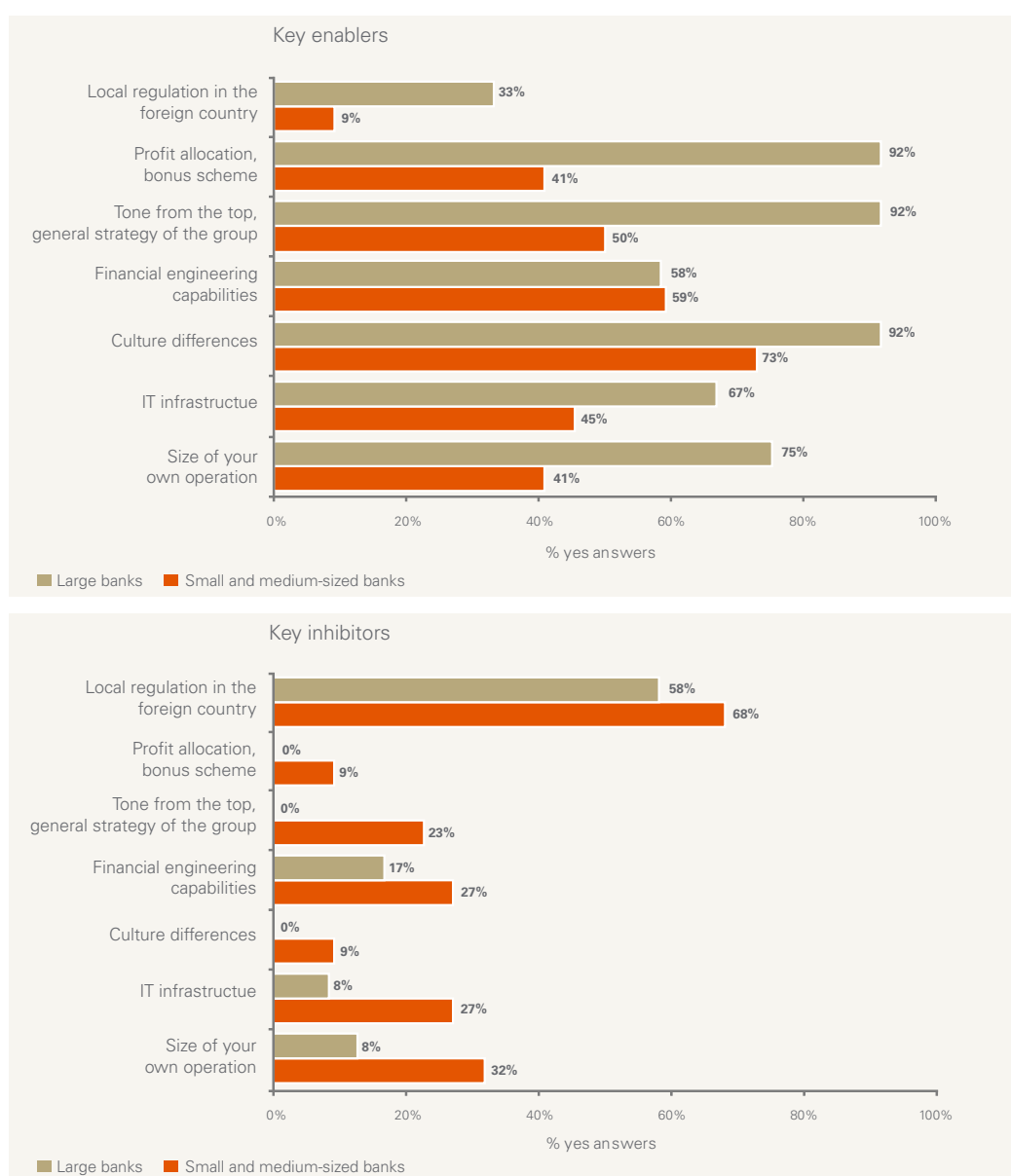
Figure 7: Focus for growth – primary target markets identified

Arrows illustrate growth markets indicated by more than 60% of respondents from a given country



■ Switzerland 
 ■ Luxembourg 
 ■ Austria 
 ■ Asia





**Figure 8: Enablers and inhibitors of approaching clients in other countries**

for banks to identify and focus on their core markets. Due to generally greater access to resources, larger banks consider as enablers almost all factors of approaching clients in other countries. 33 percent see cross-border regulation as an enabler, perhaps as they feel better placed given their larger geographical footprint to maintain a local presence in countries served, leveraging other arms of the bank.

#### Organic growth preferred abroad

M&A activity is a primary means for European banks and to a certain extent Asian banks to consolidate their domestic positions, driven partly by the speed provided. Austrian banks, for instance, do not consider organic growth to be sufficient due to the relatively small and saturated market, with mergers therefore likely to happen in the near future. Banks' focuses outside their home markets are on organic growth - leveraging their own networks to reach new clients. Indeed, only 18 percent of interviewees consider acquisitions as a primary means of growth.

This limited interest in M&A activity outside the home-market may also be driven in Asia by a scarcity of available acquisition targets, with consequent premium pricing. In Europe, it may also reflect uncertainties around the quality of European assets that come to market, especially as current macro-economic volatility makes business plans more difficult to assess. For those banks looking at M&A, small European players seek it mainly in Western Europe, while medium-sized and large banks in Europe and Asia eye opportunities globally.

The number of global takeovers of private banks (based on pure private banking transactions rather than acquisitions as part of broader banking activities) over the past five years has been stable at around 40 transactions per annum, half of this being typically deals in Switzerland and the US. Deal activity accelerated in the second half of 2011, with non-Swiss and non-US deals accounting for the first time for more than 50 percent, with a trend towards emerging markets.

## AGENDA FOR ACTION

Key areas for consideration in determining a private bank's geographic strategy include:

#### Defining focus countries:

- Does the bank focus its resources on markets where it can win new clients based on its brand, reputation, service offering and operational set up?
- Has the bank reviewed its existing client portfolio and profitability, assessing its ability to generate new business in the given market?
- Have exit options been investigated for non-core markets? Is the client portfolio in the affected country of sufficient size to enable a sale?

#### Reviewing the long-term strategy in servicing various markets:

- Is a traditional cross-border model sustainable in the long-term to approach clients and grow the business?
- Has a review been undertaken regarding the bank's approach to winning new customers in these markets?

## Regulatory impacts

Tax transparency is critical, with a client focus on post-tax returns

“You do not have a choice. You have to have a full tax compliance strategy” is the prevailing view among interviewees. A plethora of regulations have changed the nature of the debate in recent years, eroding perceived competitive advantages between private banking centers. Accepting clients with undeclared money can negatively impact a bank’s reputation; a need exists to determine how best to support clients in becoming tax transparent and optimizing post-tax investment performance.

Banks must also adapt their target operating models in light of cross-border regulations, FATCA, local investor protection rules and withholding taxes, all of which can significantly affect business models, including how banks can approach clients in different jurisdictions.

### Business models challenged by manifold regulatory requirements

The G20 and EU continue to put pressure on offshore centers to be tax transparent. Global cross-border regulations, FATCA, increased capital requirements through Basel III, and investor protection rules such as investment suitability / MiFID are likely to increase operating costs further, with a direct impact on the industry’s profitability.

More than three out of four interviewees agree that MiFID, cross-border regulations and FATCA influence their business models. Increased capital requirements are less of a challenge for private banks compared to say more capital-intensive business models such as corporate and investment banking.

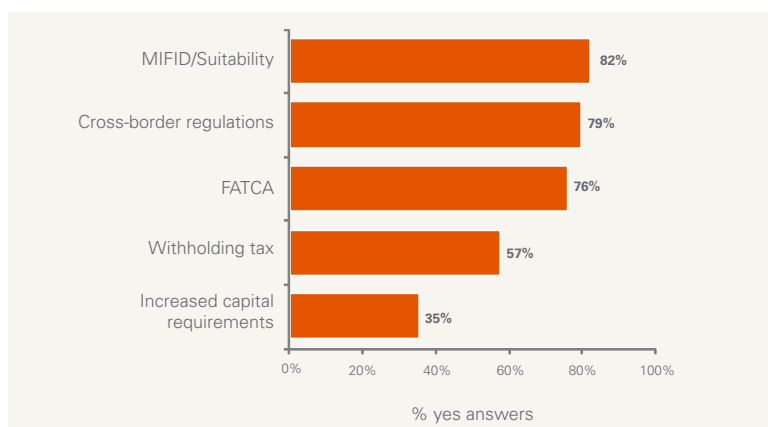


Figure 9: Regulatory changes influencing the business model

«Since the 2008 Lehman incident, the client/product suitability has become a dominant topic [...] it is a challenging task to assess and document the suitability for all the clients.»

Singapore-based interviewee



**Key observations:**

- Private banks must re-examine their business models in light of global regulation and adapt their strategies for approaching clients on a cross-border basis. Flexibility and efficiency of solutions are key considerations in keeping pace with regulatory change and ensuring cost-efficient compliance
- Approaches and timings in dealing with legacy issues vary considerably between private banks and countries. However, the adoption of a tax transparent strategy is required; it is no longer optional. In this, Luxembourg bankers would welcome the introduction of Rubik equivalents (agreements reached by Switzerland with the UK and Germany)
- A holistic approach to clients is increasingly necessary, with a clear focus on the post-tax returns of proposed products

Investment suitability rules are especially relevant for Swiss and Hong Kong banks independent of other cross-border regulations, due in Switzerland for example to expected local regulations defining rules of conduct over client contact at the point of sale. In Singapore, investment suitability rules and standards are in place, though they tend to be less exhaustive than in Switzerland and Hong Kong.

**Transparency: from requirement to reality**

Many private banks must deal with legacy funds. Approaches and timing vary considerably between banks and countries, with urgency determined by a series of factors including external pressures, and the scale of the challenge depending on the individual bank's client base, such as the number of accounts held with links to countries promoting tax transparency. FATCA, OECD standards and bilateral agreements such

as the so-called 'Rubik' agreements between Switzerland and the UK as well as with Germany mean that priority is often given to dealing with US and EU clients.

Luxembourg banks perceive a strong sense of urgency towards achieving tax transparency due to having a predominantly Western European client base. Tax transparency is seen as 'business as usual' by Austrian interviewees, with new regulations being seen as challenging profitability given competition levels and average bank sizes, but not as an inhibitor for the business model (see figure 10).

With a diversified client base spread across the major wealth economies, the challenge facing Swiss banks is more mixed. A greater sense of urgency surrounds Swiss banks' more mature markets (EU and US), which may not be the fastest growing markets but nonetheless form a substantial part of the existing client base. There is less of an issue around the high wealth growth economies such as Asia, Latin America, the Middle East and CEE as well as the CIS, as these generally reflect relatively new assets.

In general, banks should ensure they are positioned to provide appropriate services to help clients achieve tax transparent status. The sheer number of a bank's clients can make this a major feat, and private banks should begin proactively approaching and assisting clients now.

Some banks may therefore decide to focus on specific clients and markets in light of regulatory and other factors, also seeing the

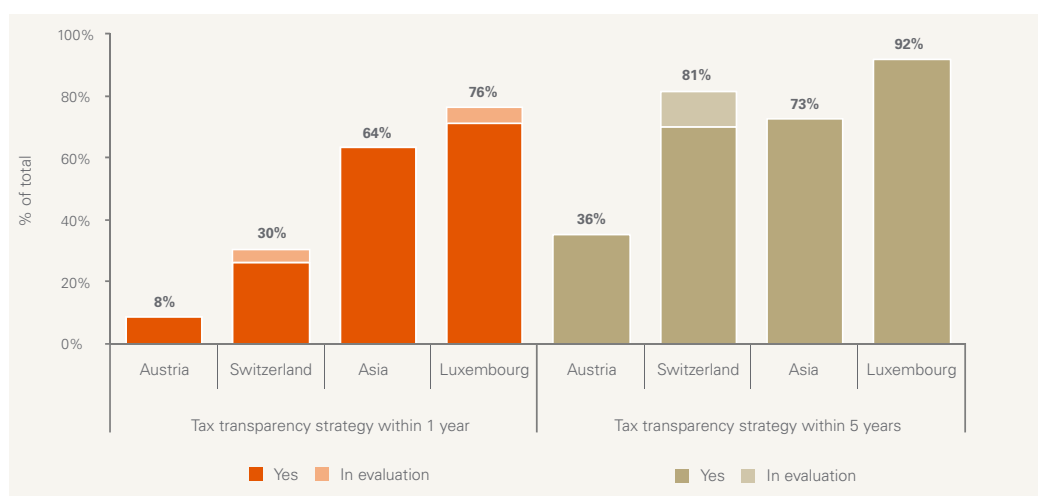


Figure 10: Implementation of tax transparency strategy in light of increasing regulation

early adoption of regulations as an opportunity to move ahead of the competition. This may be done by discouraging clients with a particularly high associated regulatory compliance cost. Such a focus may be possible as part of banks' ongoing considerations as to which markets and client segments they are able to serve in a sustainable manner, in which a geographic strategy will be refined together with possible changes to the bank's operating model.

#### **Wanted: a Luxembourg Rubik**

Potentially accelerating the transformation of legacy funds into declared money, the so-called Rubik bilateral agreements concluded by Switzerland with Germany and the UK are a key development, not least the element of amnesty that permits the maintenance of client confidentiality while paying the tax duties. A majority of Luxembourg interviewees expressed a

desire for their government to investigate the possibility of introducing Rubik equivalents, as Luxembourg banks generally see regulation as an opportunity due to their EU membership.

#### **A holistic response to clients' tax situations**

In responding to tax transparency requirements, banks must undertake a holistic analysis of both existing and new clients' tax situations. Although many interviewees have indicated that they already offer tax reports for their customers, many private banks may need to broaden their tax transparency offering.

In determining core offerings to individual clients, there are three key considerations:

1. The optimal tax solution for the client in view of personal and family circumstances

2. The most appropriate products for the client given relevant tax regimes
3. The likely post-tax return of proposed products

**Global regulation forcing a more focused business model to achieve success**

Business models need to be re-examined in light of regulatory developments and strategies for approaching foreign clients need to be adopted globally. Successful private banks will be flexible and cost-efficient in their client proposition and operations in order to accommodate

differing local client demands and specific local regulations. A global, one-size-fits-all wealth management model is no longer optimal.

Significant investment may be required in IT, operations and client advisory quality to keep pace with regulatory change and achieve cost-efficient compliance. Client advisory is key: private banking remains a relationship-led business, which needs to be scalable, flexible, yet still efficient and competitive.

## AGENDA FOR ACTION

Issues to take into account when considering a private bank's approach towards regulatory trends include:

**Responding to tightened global regulations:**

- What are the impacts of increased global regulations such as cross-border regulations, FATCA and investor protection rules (e.g. investment suitability / MiFID) on the business model and profitability of your bank?
- How do you ensure the biggest non-compliance risks are managed appropriately and related gaps are closed on a timely basis?
- What are the most cost-efficient and effective ways to implement mandatory requirements considering complexity, size and product offering of your bank?
- How can you maintain solutions flexible enough to ensure compliance with future regulatory changes yet still efficient and competitive?
- How can you profit from synergies when implementing multiple regulations?

**Tax transparency strategy in relation to determining how proactively you support clients' tax transparency:**

- What is the effect of the legacy funds on your business model?
- Which options are there and which ones are the preferable ones for your bank?
- Which level of adaption and implementation is right for which client jurisdiction?

**Tax transparency approach and timing of the bank towards its clients:**

- How are affected legacy accounts to be handled?
- Is the bank in a position to deliver the assistance a client requires to achieve tax transparency?
- What measures are to be taken to holistically serve the tax transparent client?
- Does the bank have the infrastructure to deliver the right products for the client's individual tax situation?

# Client segmentation

## More precise understanding and targeting of client segments required

Segmentation is the key to how a bank sees its role within the market and facilitates focus. In good times, healthy profits can mask inadequate segmentation, but in more challenging economic circumstances underlying problems bubble to the surface, with banks that lack a clear vision of their existing and target clients likely to suffer.

Cost-income pressures, client activities, tax transparency and globalization are among the many factors promoting a closer look at segmentation. The more precisely a bank understands the desired performance and needs of its target client segments, the more effective it can be in determining which clients to serve and in refining its products and service offerings, communication channels and most relevant CRM skills to employ.

### Key observations:

- Client segmentation facilitates strategy implementation. Smaller banks in particular should be specific about which client niches and countries they wish to reach and are in a position to serve on a long-term basis
- Understanding client segment performance is vital – especially in an environment of margin erosion – allowing banks to ensure an optimal client segment focus
- Technology can assist banks in tracking behaviors of individual client types, data-mining in order to fine-tune the segmenting of clients and identifying the most suitable products and services for each segment

Client segmentation is once again climbing boardroom agendas. In an era of margin pressure, knowing precisely whom you serve and whom you wish to serve is vital. This decision may sometimes be forced upon a bank, however. Changes to cross-border rules may necessitate a focus on fewer jurisdictions; broader regulatory trends can encourage banks to amend their client segmentation.

Only in Switzerland and Austria does the perceived need to adapt client segmentation on the basis of regulation appear to be lower, though this may be due to Switzerland being ahead of the curve in adopting regulatory changes thanks to relatively diverse international clients, and in Austria due to the relatively large proportion of domestic clients.

### Knowing what you don't want...

...is as important as knowing what you do want. Interviewees state clearly that banks may encourage loss-making clients (individuals or entire segments) to leave the bank, sometimes through subtle adjustments to the bank's services or fees. Such segments might include:

- Clients in countries that will no longer be served by the private bank, for example due to cross-border rule changes
- Affluent or retail clients whose AuM is not expected to grow or is held largely with another private bank
- Unprofitable or less profitable clients

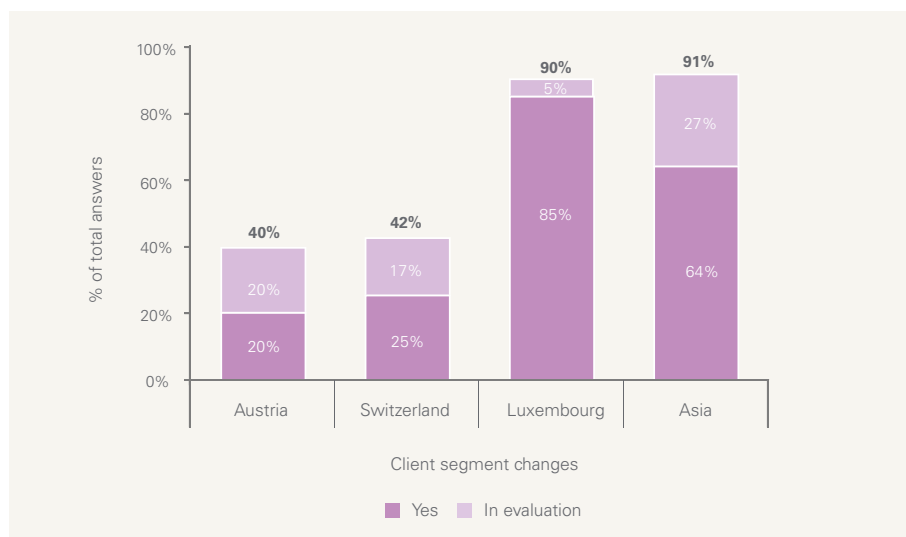


Figure 11: Growing regulation as a driver of client segmentation changes

### Segmentation as a differentiator

All banks, in particular smaller ones, need to be clear about which client segments they wish and are realistically able to serve, and to differentiate themselves accordingly.

Any client group can exert very specific demands, making offerings and actions based on clear segmentation vital. In Asia, for example, there is a particular value in segmenting clients between first and second generations, with second generation clients tending to be more IT savvy, and therefore requiring more technology-based access to

information and bank relationships. Focusing on the basis of religion (such as Islamic banking) or culture are other useful possible segmentation criteria, permitting a bank to differentiate itself more clearly in the market and to equip itself with the most appropriate CRM skills and product offerings required to fully serve that particular segment.

Segmentation is therefore not a 'nice to have' – it is fundamental to determining how a bank intends to approach, service and fulfill clients' varying requirements.

## AGENDA FOR ACTION

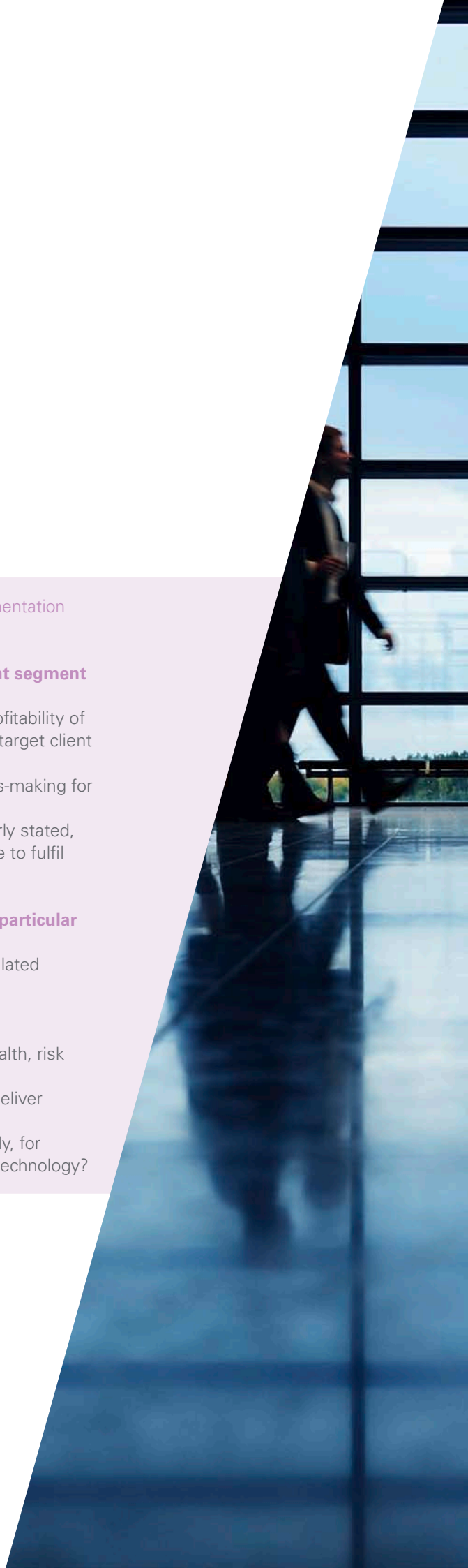
Key issues for private banks to consider in relation to client segmentation include:

### **Is your bank in a position to analyze existing and target client segment performance?**

- Does relevant management information exist to cover the profitability of client segments served and to support decisions over future target client segments?
- Is there a clear strategy on how to handle clients that are loss-making for the bank or that you are unable to continue serving?
- Are the various attributes of your target client segments clearly stated, with strategy, market positioning and operational plan in place to fulfil their specific needs?

### **Is your business and operational model set up to best serve particular client segments?**

- Which specific niches does your bank serve, and is this articulated internally and externally?
- On what basis are CRMs matched to client segments?
- Are CRMs equipped to advise clients on their specific needs (e.g. geographic, regulation, product knowledge, share of wealth, risk profile)?
- Do collaborative arrangements exist with other providers to deliver services that are not in the bank's service portfolio?
- If targeting Asian markets, are you in a position to serve it fully, for instance adequately addressing cultural issues or affinity for technology?









# Products and services

## Anticipating clients' evolving product and service needs

As clients globally become more precise in the products and services they require, Asian clients in particular demand a more integrated bank service offering than their European counterparts, with distinct advantages for banks able to cross-sell corporate and investment banking products to existing private banking clients and vice versa. Meanwhile, almost all banks recognize pressure on fees and a need for transparent and suitable products.

### Key observations:

- As clients require more specific products and services, private banks must accurately define which target clients they aim to serve and focus on differentiating through products and services
- Clients' demands for more services for less money are creating continuous fee pressure
- Asian banks consider an important success factor in acquiring new (Asian) private banking clients to be the offering of an integrated service, with banks that are unable to provide research, corporate and investment banking services being disadvantaged

«The future of private banking is not about the number of products a bank may offer, but rather about the ability to provide full integrated services to clients with direct and easy access, valuable advice and enhance returns.»

Hong Kong-based interviewee

### In focus: offered products and services

83 percent of Asian banks see products and services as a key differentiator (see page 13), compared to 49 percent of European interviewees. Asian banks also generally provide a broader range of services than European banks.

In terms of products and services currently provided, clear differences exist based on banks' domiciles:

- 88 percent of Luxembourg banks interviewed provide financial engineering, primarily relating to tax structuring. This is significantly higher than the European average of 67 percent
- Swiss interviewees, being mostly pure players, focus predominantly on wealth management and asset management
- Austrian banks provide a broader range of products and services than the average European private bank, to facilitate their wealth management and asset management focused service offering
- A substantially higher proportion of Asian banks than European banks provide insurance, commodities and real estate and research-related offerings

### In focus: client service demands

Asian entrepreneurial clients are used to making financial and strategic decisions and demand a greater say in decisions governing their investments. This is often referred to as the global trend of 'consumer in control'. Due to the ageing of Asian non-entrepreneurial HNWI clients, maintaining wealth is the second predominant need.

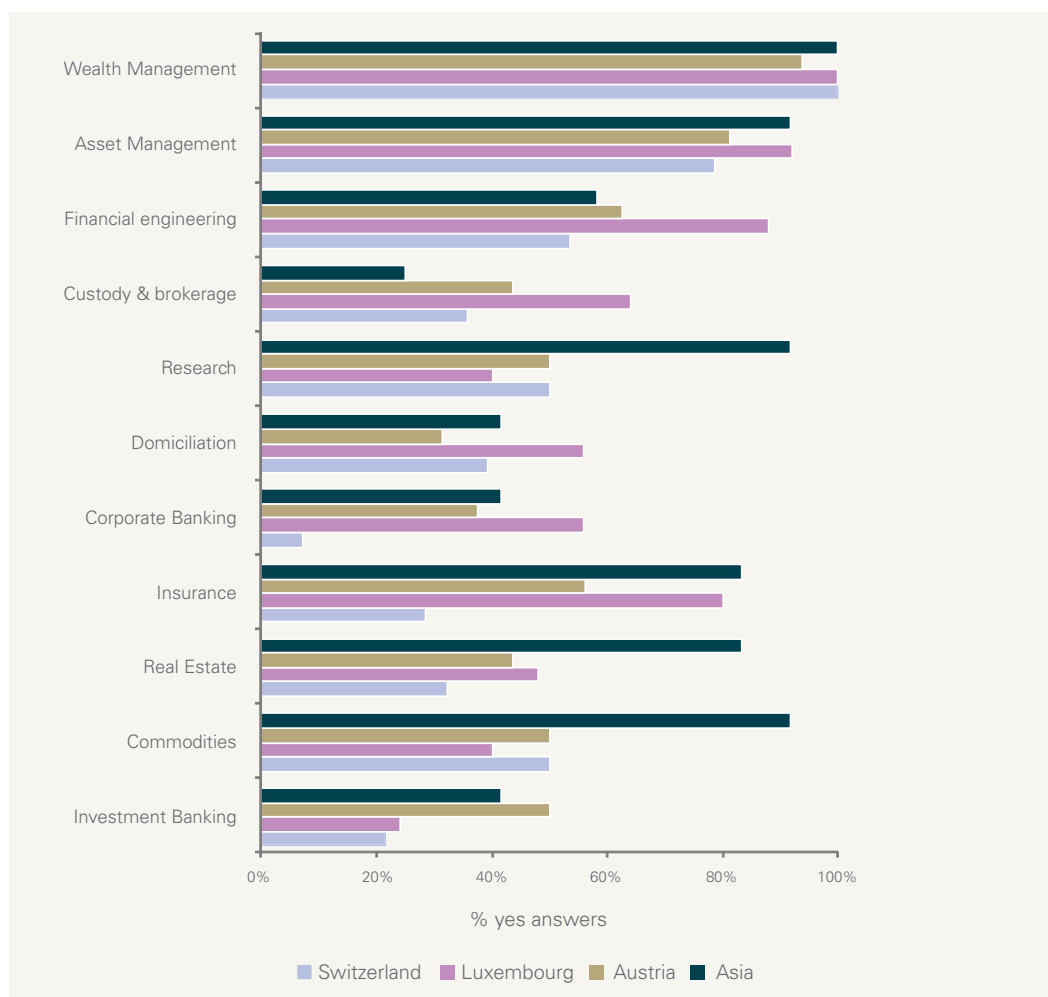
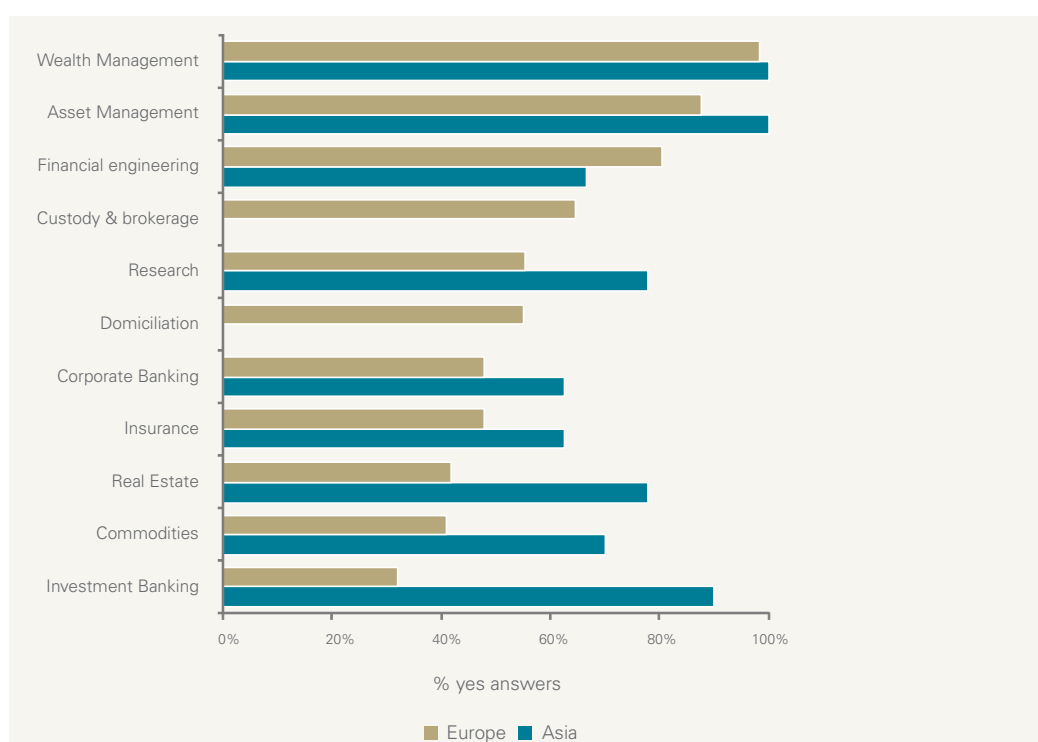


Figure 12: Products and services currently provided, by region

In common with Austrian and Luxembourg clients, Swiss clients demand more disclosures and advice relating to tax matters, such as reporting, statements and post-tax performance analyses, as well as specific services around tax planning and

structuring. Austrian clients, especially from CEE, look chiefly for an independent advisory approach, in which transparency and open product architecture are key and asset protection is more important than performance.



Note: Chart based on 'yes' and 'no' responses, excluding blank responses. Excluded categories: institutional banking (public sector) and retail banking

**Figure 13: Products and services regarded as critical success factors**

European and Asian banks' views vary considerably with regard to critical success factors in terms of product and service offerings going forward in Asia:

- Asian banks regard investment banking as a key service – this compares to rather low interest among European banks
- Real estate, commodities and research are of far greater importance in Asia than in Europe

«With wealth being created rapidly in the region, clients are looking for holistic solutions for their private and business needs. A close working partnership with in-house corporate bankers needs to be in place.»

Singapore-based interviewee

- Custody & brokerage and domiciliation services are not considered critical success factors by Asian banks (zero percent 'yes' responses)
- European banks attribute greater importance to financial engineering than do Asian banks

#### Meeting the Asian challenge

Asian interviewees see greater potential for cross-selling private banking as well as broker and trading services to existing Asian corporate and investment banking clients, and vice versa. Banks that are unable to offer a fuller suite of banking products may therefore be disadvantaged and should seek ways of expanding this offering, for example through collaborations with other financial institutions or through open product architecture in Asian markets.

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«At the same time, banks are feeling more pressure on the fees. This includes clients wanting more service for less money, and wanting to be in touch more often.»

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Switzerland-based interviewee

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The successful private bank of the future will be the one that clearly defines its target clients and markets, focusing on products and services that best fulfill their clients' needs and are suitable for the individual

client. Private banks must therefore optimize their product and service portfolio for individual client segments based on country-specific regulation and clients' demands (e.g. language, culture, religion and risk awareness of the client).

#### Fees: tailor and justify

Generally, clients are demanding more service for less money, creating fee pressure that can result in lower margins.

More than 90 percent of banks believe that their fees need to be revised and tailored, with a focus on transparency and justifying fees and charges, especially to Asian clients. In line with evolving client demands, banks should consider being open to entirely new fee structures such as all-in fees. In addition to that some respondents were even going further, evaluating the introduction of hourly rates for advice, as is standard in consulting businesses.

Fee policy could be a useful tool in client segment focus; using fees as a means of discouraging clients that are unprofitable or fall outside the bank's core segment.

In determining any amendments to the fee model, banks could take into account costs associated with particular client segments or products and services. Those with higher associated regulatory-driven costs, for instance, could incur additional charges, in particular where banks foresee low risk of clients changing their business partner due to higher charges.







## AGENDA FOR ACTION

Key areas private banks should consider in terms of products and services include:

### **Refocus of products and services portfolio to support differentiation:**

- Have you developed a clear strategy to focus on differentiation by products and services for specific target clients' needs?
- Do you focus on providing suitable products and services, independent advisory approach and open product architecture?
- Do you focus on tax planning and structuring advice for EU clients?
- Does this focus include post-tax performance, taking into account the client's domicile or the booking center of the assets?
- Does your bank need to refocus the product and service offering to clients in high wealth growth economies such as Asia?

### **Review and optimize fee structure in line with changing demands:**

- Which measures are you taking in order to overcome the pressure on fees?
- In which way are you responding to clients' demands for fee transparency?
- Would you consider charging additional or higher fees to certain client segments to cover higher regulatory compliance-driven costs?

### **Asian Agenda: Improve cross-selling between corporate / investment banking and private banking:**

- Is your bank in a position to cross-sell corporate and investment banking services as well as research to private banking clients and vice versa?
- Do you adequately leverage other arms of your bank in order to attract new clients?

# Client advisory

## Client advisory enhancement through specific, technical CRM development

**"Sociologist. Economist. Police officer. Entrepreneur. With a minimum of 15 years experience." This is how one interviewee articulated the demands on a qualified CRM. A shift away from discretionary mandates towards an advisory role places even greater emphasis on skill sets.**

### Key observations:

- Changing client requirements are exacerbating a shortage of skilled CRMs (especially hunters). It is critical that banks keep pace through recruitment and development practices
- Training may become more technical and more intensive as CRMs are expected to understand the intricacies of new and pending regulations (including tax effects) and the impacts of such on individual clients' (and client segments') risk profiles
- Advisory quality can be enhanced through technology, keeping clients up to speed but requiring CRMs to have a deeper and broader knowledge

Interviewees note that clients expect independent personal advice and counselling rather than product selling. Absolute, post-tax performance is an increasing focus for clients. Driven in part by more publicly accessible financial information and enhanced technological access, clients are better positioned to assess impacts on their portfolios on an ongoing basis. This requires CRMs to be fully up to speed with the precise effects of political and economic developments on individual clients. The result is very different conversations between clients and CRMs than were witnessed say five years ago.

Modes of communication are also evolving, with digital interaction being used more often, though telephone and face-to-face interaction remains crucial.

Interestingly, there is a desire towards quality-oriented performance indicators that might be more indicative of sustainable business acquisition and retention, rather than short-term, quantitative KPIs.

### The changing face of client interactions

In Europe, substantially lower importance is attached to events, sponsorship and marketing publications as a means of engaging clients. Those events that do take place tend towards topic-driven sessions for a select group of HNWIs, with a clear scaling down of more general client events targeting a broader cross-section. The difficulty of measuring the link between sponsorship and client acquisition is a primary reason behind reducing this form of activity, as well as the relatively high associated costs.

While Asian and European banks typically favor similar types of events, Asian banks attribute greater importance to events and hold them more frequently.

### Using IT to support client advisory

Almost all interviewees noted that direct interaction (telephone, client meetings) is the most important form of interaction with clients. However, with technology moving client-bank interactions to a new level, banks around the world recognise the importance of 'classical' IT. This is especially true for Asian clients and for younger



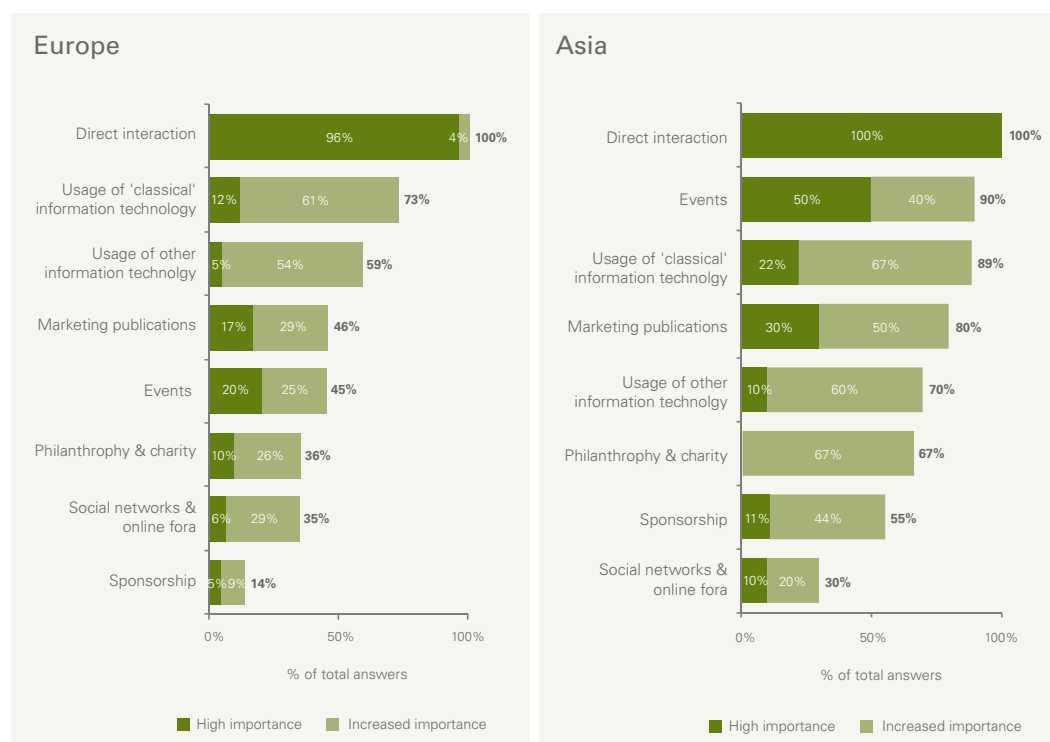


Figure 14: Importance of various means of bank – client interaction

«Relationship managers who are client-oriented and have manager as well as acquisition skills are rare on the market.»

Switzerland-based interviewee

generations. 90 percent of Asian participants consider 'classical' IT as an important complementary interaction channel, compared to 75 percent of European interviewees. A substantial

difference exists between the views of small and large banks regarding technical support for CRMs. Larger banks appear to be further ahead and have a clearer view over how IT can support CRM activities. Asian banks also appear to be more mature in their application of IT to support the client advisory process.

#### Turning threat into opportunity: the road to being an investment advisor

Providing statements to clients in real time and enabling them to review portfolio performance prior to meeting or discussing

with the CRM can support client advisory efficiency and effectiveness. Freed from the need to guide clients through basic performance statistics and market developments, CRMs can spend time focusing on more value-add discussions around the impacts of such developments on the client's portfolio and investment decisions, extending the depth and quality of service. With transparency being a dominant client issue, more specific training courses may be necessary given the typical complexities involved in regulations, especially concerning cross-border rules. As clients demand a greater say in investment decisions, it is critical that CRMs understand wealth management and behavioral finance theory, tailored to particular client segments. Some interviewees cited this in the context of an indispensable shift in the role of the CRM from 'client advisor' to 'investment advisor'.

Internal competence centers to equip CRMs with the appropriate skills and information can be a solution but are generally viable only for larger banks. Smaller players may need to collaborate or outsource their training provision. Such training may be supplemented by certification through a number of external programs such as those awarding the Certified International Wealth Manager (CIWM) or Certified Financial Planner (CFP) designations.

### **Recruitment potential**

In last year's study, three quarters of Swiss interviewees noted that their asset conversion targets for newly-hired CRMs

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«Personal relationship is something you cannot buy.»

Luxembourg-based interviewee

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were too ambitious, suggesting that the recruitment focus should be adapted from the potential AuM a CRM can bring with him/her to other skill sets. Almost all respondents cite a gap in the supply of skilled hunting CRMs. All interviewees noted that CRMs tend to be excellent at retaining clients but struggle with the particular soft skills required to attract new clients. In Asia, a general lack of qualified CRMs was noted. Indeed, CRM skills were cited as the most important selling proposition by Asian interviewees and were ranked highly by European banks (see page 13).

### **Geographic specifics**

Asia and Austria diverge slightly from the prevailing views, meriting particular comment.

**Asia:** Generation shift appears to be a bigger issue in Asia than in Europe. Asian banks believe that the first generation of entrepreneurs and second generation are having a different investment attitude whereas the younger generation will desire even more sophisticated IT use, being able to access and trade their portfolios 24/7. Conversely, first non-entrepreneurial generation clients want assistance in maintaining an adequately diverse, low risk portfolio. Therefore CRMs must be more

familiar with the legal and fiscal system of the client's country as well as having a greater affinity for IT.

**Austria:** Clients seek open architecture, requiring CRMs who understand products' technical attributes and to what extent the product should be included in asset

allocation. In terms of CRMs, hunters and gamekeepers with an intercultural mindset and eastern language skills are in demand. Austrian interviewees note that their clients are open to different fee structures. Top of the list is charging an advisory fee rather than a management fee.

## AGENDA FOR ACTION

Key issues to consider when reviewing private banks' client advisory approach include:

### Recruitment and staff development:

- Are your CRMs in a position to discuss impacts on individual clients' portfolios and risk profiles of current and upcoming regulation, including tax impacts?
- Is training provided in-house or by third parties on topics such as sales techniques, behavioral finance, product analysis and the application of new media?
- Are more junior staff members (for instance new graduates) trained in sales techniques, as a support role?
- Does staff development leverage learning points from other industries, for example sales skills from the automotive sector?

### Enhancing client interactions:

- To what extent does your bank utilize technology to deepen client relationships, as desired by Asian clients and younger generations?
- Do you have a clear focus on what 'topic events' would add value to your particular target segments?
- What form of direct digital interaction do you have in place or are you planning?

### Performing quality assurance and fulfilling regulatory duties within the client advisory process:

- How does your bank ensure investment suitability, cross-border and FATCA checks within the client advisory process?
- Were automated and manual controls defined based on the result of a related risk assessment?

### Key performance indicators:

- Do you regularly review how CRM performance is measured?
- Does your bank measure CRM performance-based KPIs such as:
  - Mapping of client input and corresponding CRM actions?
  - Net New Assets gathered in a three-year period?
- Do you ask clients to frequently rate CRMs?
- Are KPIs implemented via a CRM's individual Business Score Card?

# Technology

## Leapfrogging the competition: enhancing service delivery through mobile banking

Mobile and internet banking is a standard offering to retail customers in many emerging markets, enjoying widespread usage where geographic remoteness or poor transport infrastructure render frequent face-to-face interactions and physical visits difficult.

By contrast, take-up of such technology in private banking is slow. Many bankers appear fearful of its capacity to usurp the CRM's role and detract from service quality. Many more believe that HNWIs and UHNWIs simply do not wish to utilize mobile banking, preferring instead more traditional interactions with CRMs. These perceptions risk overlooking a fundamental change in the nature of many private banking clients, particularly (but not exclusively) in Asia and among younger generations.

Far from being a surrogate to the CRM, mobile and internet banking creates an information platform that affords the client better and more timely access to key data, enabling the time spent with CRMs to be more focused and discussions more flexible:

- **Flexibility in space** is improved as it allows for meetings to take place across large distances, with the CRM and client able to see each other and communicate online
- **Flexibility in time** as it enables clients and the bank to view information at different times, at their convenience

Private banks may find it difficult in the present environment to stomach the IT investments required to change legacy systems. However, the cost of integrating mobile and internet banking into existing infrastructures should be viewed as part of a broader business case of such technology as a client advisory enabler and as a differentiator in the market. Banks that fail to embrace new technology may find themselves disadvantaged in the bid to capture the new generation of private banking clients, especially in high growth markets.

While new technology channels for client interactions are seen largely as a 'nice to have' in Europe, globally they are important in enabling banks to capture the younger generation's business and in Asia are a particularly key element of a bank's offering.

Perceived risks over mobile and internet technology should be better understood and managed, as they can be mitigated through an appropriate use of controls. Meanwhile, the cost of integrating such technology should be viewed in the context of potential revenue enhancement through differentiation and client retention.

Banks' perceptions of clients' needs and demands for mobile and internet banking vary significantly. Covering the spectrum from «this is a toy clients are not asking for, as they prefer personal contact» to recognizing the imperative to provide a «full range of services delivered through all channel,» some banks say they neither see nor expect behavioral changes from their clients that would give rise to the need for such technology, while others note how particular client segments see it as a basic part of service provision.

Adoption of such technology is substantially higher in Asia than in Europe. Mobile banking is also considered the safest and most efficient means of delivering information to clients in some Middle Eastern countries, for instance, where postal services are less reliable.

Client flexibility in accessing and using private banking services, and greater levels

### Key observations:

- A general lack of understanding prevails over the potential benefits of mobile and internet banking; some respondents acknowledge that clients want a full range of services delivered through all channels, while others believe “this is a toy clients are not asking us for, as they prefer personal contact”
- First mover advantages exist given the low take-up of new technologies, enabling banks to present a clear differentiating factor, especially to younger generation and Asian-based clients, who demand more technology-based services
- Risks of confidentiality and privacy breaches remain of concern; they can be mitigated through the implementation and adequate usage of technology controls

and depth of client interaction, are cited as direct benefits to both the bank and to the client. Banks that have already adopted mobile and internet banking as part of their channel strategy place a much greater emphasis on it, noting that it is becoming more popular and is a critical part of their offering to key client segments.

Opinions diverge regarding the primary target segment. Generally, banks that are only beginning to introduce mobile and internet banking limit it to affluent clients. Those private banks with greater experience of utilizing the technology apply a broader focus, including offering it to UHNWIs and noting its growing popularity among Family Offices and EAMs. This suggests that those with experience of using it see greater potential for it across client segments, rejecting the argument that UHNWI neither want nor would use such technology.

### Empowering the advisor

An important extension of the tools available to CRMs, a mobile and internet banking capability supports the advisory approach and provides much-needed flexibility. Technology can effectively outsource basic data analysis to the client, enabling the client to be up to speed with performance indicators and general news impacts prior to conversations with the CRM. Far from bypassing the CRM, it can therefore result in more efficient service

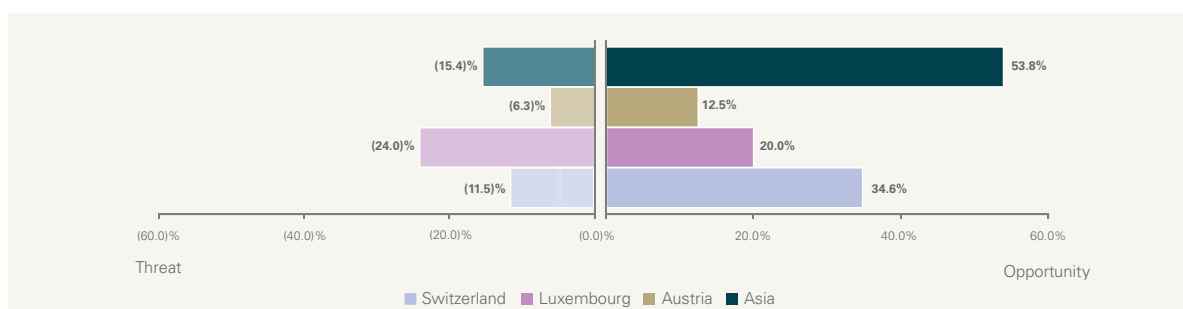


Figure 15: Technology as an opportunity or a threat

delivery, permitting time spent between the CRM and client to be more value-add.

In terms of effectiveness, a bank wishing to facilitate CRM travel abroad within a compliant cross-border model may choose to equip them with mobile devices providing the appropriate level of information to comply with the respective destinations' regulations. On the issue of foreign travel, while some interviewees believe that the risks of CRMs carrying data on mobile devices is too high in case of interception or loss, others see the potential for mobile technology to lower the risks involved in cross-border travel.

Two primary factors can influence early adoption and the extent of platform implementation. Firstly, acknowledging mobile and internet banking as an enabler of flexibility in the client relationship and ultimately improving the effectiveness and efficiency of the advisory process. Secondly, the state of the bank's existing IT infrastructure, and whether such provides for easy integration of third party platforms or a rarer solution around integrated functionality.

Relatively little functionality has so far been implemented, even by banks that see the benefits in adopting mobile and internet banking capabilities. Implementation plans are underway at many banks, however, covering a range of aspects, including elements of portfolio management and communications infrastructure to facilitate

the bank-client dialogue. Overall, 59 percent of interviewees say their bank has either implemented or is in the process of implementing basic functionality around mobile and/or internet banking.

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«We believe we are far behind our peers.»

Europe-based interviewee

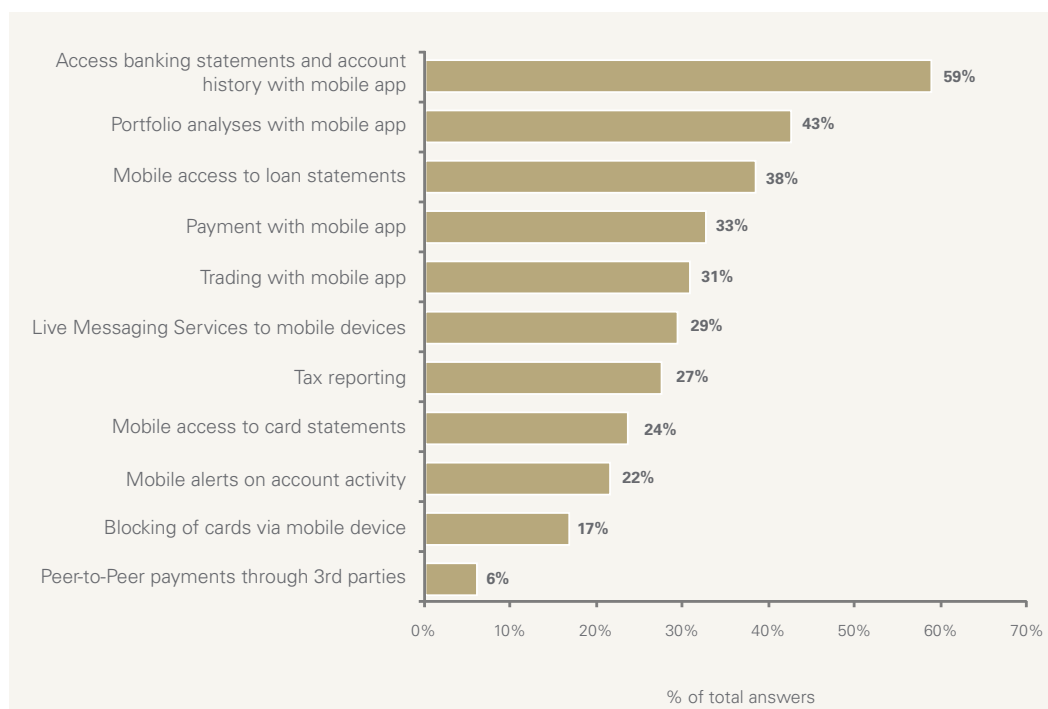
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### **Balancing the argument**

When evaluating opportunities and potential differentiators, banks should start with the client's perspective. Key is taking into account future target client segments as well as existing. Secondly, are CRMs crying out for mobile and internet banking and, if so, on what efficiency or client service enhancement grounds?

Many banks may feel unable to make the investments required to differentiate themselves from competitors, with some saying they would invest only what is necessary to keep on a par with rivals. As part of the business case, a cost benefit analysis might yield useful conclusions as to how banks view their marketplace and position therein. Care should be taken over assumptions governing future client generations, however, as well as the consequences of being outpaced by competitors; alternatively, the benefits of staying one step ahead.





Note: includes 'already fully implemented' and 'Project started. Target completion within the next 18 months'.  
Excludes blank responses.

Figure 16: Implementation of e-services already implemented or being implemented

## AGENDA FOR ACTION

The following considerations may be helpful in determining a bank's approach to building its mobile and internet banking capability:

### Benefits of technology to clients:

- What are the expected benefits for your clients, CRMs and the bank from making client relationships more flexible (i.e. bridging time and place constraints)?
- What information can be easily shared with the client that requires little or no supplementary explanation (e.g. account statements, performance analysis, tax statements)?
- How would client-CRM interactions improve if face-to-face discussions commence with the client already having absorbed basic indicators?
- How could interactions be enhanced by the CRM having all relevant data to hand when visiting clients that he/she would have in the office?
- What are your CRMs' experiences of technology utilization at competing banks?

### Taking the decision to enhance mobile and internet banking capabilities:

- What services do you plan to offer (information only or also transaction capabilities) and to whom (CRM only, specific customer segments, all customers)?
- What is the roll-out plan and how will you encourage adoption of the new technology capabilities?
- How should the CRM advisory process evolve for clients that switch to mobile / internet technology?
- What pricing model will be applied for using the services?

### Implementing technological enhancements:

- Which services, and on which platforms, do you wish to offer via mobile and internet banking?
- Which solutions are available through current service arrangements, group entities or market availability?
- How will the mobile and internet banking solution be integrated with the core banking solution? What type of linkage and segregation is required?





# Glossary of terms

AuM	Assets under Management
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
CRM	Client Relationship Manager
EAM	External Asset Manager
EU	European Union
FATCA	Foreign Account Tax Compliance Act
HNWI	High Net Worth Individual
IT	Information Technology
KPI	Key Performance Indicator
M&A	Mergers and Acquisitions
MiFID	Markets in Financial Instruments Directive
OECD	Organisation for Economic Co-operation and Development
UHNWI	Ultra-High Net Worth Individual

## **Important notes:**

'Interviewee' refers to the private banking individual or organization interviewed by KPMG for the purpose of this publication.

The term 'Asia' is used predominantly to refer to the primary locations of Asian respondents to this survey, being Hong Kong and Singapore.

## **Bank size definitions:**

- Small banks are those with less than USD 5 billion in AuM
- Medium-sized banks are those with between USD 5 billion and USD 20 billion in AuM
- Large banks are those with more than USD 20 billion in AuM

## **Bank types:**

The terms 'private bank' and 'bank' are used interchangeably for the purpose of this publication, referring to private banks and wealth management firms, or the private banking and wealth management operations of financial institutions, unless specifically stated otherwise.

**Pure players:**

- Core business typically advising HNWI and UHNWI
- Other businesses such as custody, investment funds and investment banking activities would play a secondary role

**Integrated hybrids:**

- Investment banking or asset management will most likely represent a relatively high proportion of their activities
- Private banking clients will typically range from core-affluent to UHNWI
- Typically high degree of integrated cross-group fertilization in terms of clients, products and services
- Likely to have a global footprint

**Universals:**

- Characterized by strong retail client operations covering a wide range of products and services
- Private banking clients will typically range from core-affluent to UHNWI



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