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Asia's wealthy demand more of private bankers

These clients are more hands-on than those in the US, Europe: bankers

ASIA'S super-wealthy clients, expected to be worth US$8 trillion in three years, want more than European and US private banks are used to offering.

These clients, many with portfolios worth upwards of US$5 million, have typically come into their money relatively recently and have a more hands-on, entrepreneurial spirit than those in the United States or Europe, bankers said.

'One thing for sure is they're very demanding,' said Allen Lo, the Greater China head of wealth management for UBS AG. 'They want to make their assets work a lot harder than in other economies because they're building wealth' rather than trying to preserve it.

UBS, Citigroup Inc, Credit Suisse and HSBC Holdings plc lead the pack in global private banking and are targeting Asia for growth.

UBS reported a 19 per cent rise in Asia-Pacific private banking revenue in 2003, and the bank expects the wealth of high net worth individuals to rise 8.5 per cent annually for the next three years in Asia outside of Japan.

The US$8 trillion of investment potential, which Merrill Lynch/Cap Gemini Ernst & Young estimated Asia's wealthy would command by 2007, compares with US$4.8 trillion in 2000.

Citigroup said investment management profit in the region, including private banking, jumped 52 per cent to US$163 million last year.

HSBC said 2003 pre-tax profit from Asia-Pacific private banking rose 23 per cent, also to US$163 million.

Citigroup, which has nearly 6,550 clients in Asia, excluding Japan, and the Middle East, is targeting China, India and South Korea for growth.

'We continue to invest in talent,' said Kaven Leung, head of Citigroup Private Bank's Greater China group.

The creation of new wealth has competitors gearing up in Asia, which will probably put pressure on fees. But private banking is a rich man's game - the average Citigroup banker generated US$3.8 million in revenue last year - and clients are willing to pay top dollar for complicated services such as currency trading and derivatives.

'When you can only offer plain-vanilla products, you are subject to pricing competition,' said Citigroup's Mr Leung. 'When you move away from generic products to high value-added and creative solutions, competition is not based so much on pricing.'

Asia's active clients and their hands-on trading styles tend to generate more commission and investment fees than their European and US counterparts.

Citigroup said more than half of private banking revenue from Asia comes from capital markets, trading and investment management activity. In the US, borrowing fees from clients make up the biggest portion of the revenue pie.

'The domestic capital markets and investment vehicles that are available in Asia are considerably smaller than the US or the European market,' said Mr Lo of UBS. 'That drives the behaviour of the Asian investor to look beyond their home market.'

Asian clients have become familiar with foreign markets and companies not only through investments but through commercial contacts with US and European companies.

'The Asian financial crisis has awakened many clients to the importance of diversification,' said Mr Leung. 'Overall, they have also become more astute in their risk-return expectations.'

Perhaps the most significant stumbling block for Asia's private bankers is finding enough qualified people to meet the demands.

'One of our major challenges is to hire enough qualified people to support our growth,' said Mr Lo. - Reuters