Movers & Shakers – August 2020

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After a fairly quiet August on the private banking hiring front, bankers may expect bonus cuts as banks' revenue thinned, but recruiters observed that the hiring momentum seems to have shifted slightly towards the family office (FO) and external asset manager (EAM) side.

"Private banks' business revenue seems mixed this year, as the large firms' investment banking divisions are suffering losses. Coming into 2021, it is likely that private bankers' bonuses will be cut at these large banks," Sujan Melwani, managing partner, DMO group, told *Asian Private Banker.*

On the other hand, the boutique pure plays focusing on recurring revenue from wealth management have fared better. "So they are pulling the trigger on new hires a bit more and offer relatively better payout." This is in line with the broader trend over the past two years where private bankers grow increasingly open to moving from larger banks to pure plays.

Melwani has noted that independent players are emerging to compete for talent with PBs. "There are a lot of external asset manager (EAM) and family office (FO) structures coming into play and taking retrocession [fees] from the private banks. A few FOs in the region that just exceeded the two, three billion marks have been hiring quite actively."

This may be a lucrative offer for senior bankers: with lower base salaries, FOs and EAMs tend to offer a higher revenue share or equity to senior members.

While it only becomes more evident in Asia, the FO and EAM concepts have grown so much more prominent that "it is hard to find a bank that does not work with them, or rely on them, for a whole new revenue stream outside of their traditional PB clients", Melwani granted.

"At the same time, certain private bankers are taking advantage of the transparency and flexibility of the EAM business. You will see a lot of movement towards the independent space."

Echoing this observation, Sid Sibal, regional director, Hong Kong, Hudson, shared with *Asian Private Banker* that he has seen significant take-offs among EAMs in Hong Kong.

"It is often neglected that private banks not only make their revenue through AUM growth, but also via client transactions," Sibal emphasised. Under the current environment, HNWIs in the region have been taking a conservative approach and sticking to cash, leading to a drop in transaction volume and a slowdown in business revenue growth.

By contrast, EAMs' simple, transparent structure gives them an edge to balance cost with profit. "Led by senior ex-bankers, these EAMs — often a one-man, two-man shop — have a lean cost structure and are able to make a good return on investments." Such competition has piled pressure on PBs.

According to Sibal, PBs have slowly started to look at "performance management" strategies in the past eight to nine months — much more than they did two years ago. "Some RMs are even managed out by the banks, on account of performance."

Meanwhile, major private banks stay reserved for hiring. "Hiring is, of course, still going on, but banks nowadays have significantly raised their standards for potential candidates: they are often looking for director-level RMs with a large amount under their book — at least US$400 million. Otherwise, they are reluctant to make the hire," Sibal said.

Wealth moves towards Singapore

For the past year, talks of private bankers in Hong Kong leaving behind attractive offers to go to Singapore have been prevalent. But Melwani believes that the growing private banker base (including those with Greater China coverage) has very little to do with their personal concerns and more to do with the clients' readiness to move to Singapore.

"Singapore has become Asia's wealth management hub, whether people like it or not, and people from Dubai, Europe, Australia, Hong Kong and China want to move their money there. A few banks' Greater China teams in Singapore are almost as big as those in Hong Kong — and this happened prior to Hong Kong's protests last year," he argued.

However, Sibal pointed out that certain high-fliers, in terms of high performing RMs, have been given flexibility from their banks. "If they want to move to Singapore, the bank can facilitate that as long as they are able to maintain their excellent performance. In that sense, they are becoming more flexible around where one can be based."

The rise of Chinese securities brokerages

A number of mainland-based securities brokerages have launched wealth management businesses in Hong Kong, pledging to attract HNWIs as their clientele. At the same time, this has created competition for the city's private banking talent pool — at least to an extent.

"They are able to attract director or executive director-level bankers from major banks to head these departments. It is their slow but promising way of entering the market," Sibal said, adding that they are looking for quite different things in the talent pool.

"Although none of the global banks want to lose their RMs to the Chinese securities houses, they do not perceive them as sizeable competitors — just yet. This may soon change as these Chinese securities firms develop into something larger."

Melwani, however, maintained that the Chinese brokerage firms require a different level of talent to the European private banks. He elaborated that the operating models of these two types of wealth management businesses are very distinct.

"(The securities brokerages) are heavy on trading and are more results-oriented, as conditioned by the mentality of the clients. While for the bankers in the traditional PBs, it is about locking the clients on a long-term basis into a discretionary fund, the Chinese securities brokerages focus on short-term results," Melwani explained.

"Though in the latter's case, the clients tend to follow the bankers and not necessarily the banks," he contended.

Asian Private Banker's Movers & Shakers table provides a monthly snapshot of the people moves that mattered most to the region's wealth management industry. Click an individual's name to see the story and context behind each move.

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