



CENTRE FOR THE STUDY OF FINANCIAL INNOVATION

5 DERBY STREET
LONDON W1J 7AB

TEL: 020 7493 0173
FAX: 020 7493 0190

Private client wealth management and the crisis: A round table discussion with Mark Powell (Rathbones), John Williamson (EFG Private Bank), John Reed (Arbuthnot Latham), Lupus Maltzahn (Accenture) and Michael Read (Williams de Broe). Held on Monday 16 February 2009 at Innholders Hall, 30 College Street, London EC4R 2RH, 12:30-2:15pm.

The first speaker began by explaining that UK private clients are currently feeling disappointed and disagreeable. Although this may be as a result of poor performance, the speaker said that he believed that in many cases there was a misunderstanding about what clients were planning to do. Traditional ways of describing risk have not stood up to what's happened over the past year.

The speaker said the lack of confidence amongst investors was going to change the long-term wealth advice market. He added that he feared for the independent financial adviser (IFA) model – as the FSA looks to target their remuneration practices.

Investors are going to look at the costs of what advisers are providing, and will expect transparency, he said. There will also be more regulation, which will add to advisers' costs. The speaker predicted that the political element of domestic regulation will be much more obvious than it has in the past.

As a result, it is likely that advisers will be under greater pressure to withdraw from the commission model.

The second speaker said that making any big changes to the model at the moment would be bad for the industry. He said that clients come in different shapes and sizes, so advisers need to have the diversity to adapt to their needs.

The speaker said that wealth management businesses needed to create a culture where their advisers could be creative and where they feel empowered to serve their customers.

London's dominance in the financial services could now be under threat, he said.

The third speaker began by saying that there is a lot of hindsight from investment managers at the moment. The fact that clients want relative benchmarks in a bull market and absolute benchmarks in a bear market is something that the industry has to learn to live with.

The speaker suggested that there was a danger of clients jumping into self-directed mode during difficult times – and the industry needs to work out how to stop that happening, and to guide clients back to the professionals.

The speaker then moved onto talk about the issue of counter-party risk, revealing that while his firm relies on rating agencies to mitigate this, these ratings have sometimes not been accurate. In future, the speaker said institutions would start to market new risk-management techniques.

Another speaker suggested that Mifid had turned risk into a compliance issue. However, a member suggested that there would always be opportunity in change.

The fourth speaker talked about how he had built up and diversified his business during the last bear market, and was doing the same again now. He said he believed diversification was the key to success over the next decade. Trying to tap old clients for more money would not work.

The speaker said he was optimistic about the long-term prospects for the industry, claiming the short-term loss of confidence was only a phase.

The final speaker began by saying that the fundamentals of the wealth management business still hold true. He said the market is big and still growing.

But he said the industry would need to work harder given that investors can get a fairly good return from buying a tracker funds for very little money.

He said businesses would need to find a way of motivating their advisers to do the best thing for both their company and their clients. Unless the industry can earn clients' trust, it will struggle.

The speaker said that if advisers only charged for things that added value, it would make them much more focused.

One member suggested that Mifid had made it easier for businesses to diversify into Europe. However, a speaker said that during difficult times, people revert to the market they're familiar with. Another added that it's still hard for UK businesses to make it work in Europe, due to the tax implications.

Another member said that the key to success was managing clients' expectations much better.

Another member said that he would be surprised if the industry migrated from London.

The speakers finished by saying that the government needed to revisit regulation and needed to disengage from the non-reformist blame culture.