Global talent management in the wealth management sector

Talent management report 2010

The Standard Chartered Private Bank

ClearView Financial Media

Contents

Successful talent management after the credit crunch

Industry commentators estimate that 80 per cent of wealth management firms in London operated hiring freezes during this time; elsewhere, the worst of the tightness in the wealth management recruitment market eased globally as wealth managers scaled back their recruiting ambitions.

Introduction

The movement of advisors from one firm to another, or churning, is further threatening the credibility of the wealth management industry, already bruised by the financial crisis. For almost half of wealth managers, the average length of an advisor's service is fewer than five years. In an industry founded on relationships, continuity is essential for clients and they are increasingly interrogating firms on their advisor retention levels. This report aims to uncover what motivates wealth management personnel and, by understanding this, provide insights into how firms can gain an edge in developing their programmes for attracting, recruiting and retaining key staff today.

Exponential growth in the wealth management industry created an overwhelming demand for talented private bankers and investment professionals among a finite group of experienced and qualified individuals in the industry. While the "war for talent" has eased somewhat post-credit crisis - demand for advisors is expected to fall 24 per cent globally between 2009 and 2011 - there is still high demand for high-calibre bankers and other wealth management staff.

Whilst the people agenda is no longer a top priority for many wealth management chief executives, forward-thinking firms are capitalising on increased movement in the market, using it as an opportunity to pick up top and, more importantly, experienced talent from those firms that have been worst affected by the financial crisis in order to help their own clients to navigate the financial world as it now stands.

Bigger firms are continuing to recruit large teams of bankers and small- to medium-sized firms in particular are benefiting from a move away from the wealth management behemoths as they pick up experienced staff from high-profile rivals. Whilst some firms continue to focus only on recruiting bankers from their rivals, others have invested in large and comprehensive training programmes, without which the industry may be cannibalising a decreasing pool of talent.

For all firms, the quality of advisors is more important than ever. The training and development of advisors to "upskill" them to meet the needs of an increasingly demanding and cautious client base is essential.

With the impact of losing advisors and costs of recruitment high, the retention of key advisors is more important than ever. Remuneration designed to encourage best practice, as well the right business model, systems support, Continuing Professional Development (CPD) programmes and clear career paths are all key factors in nurturing talent and encouraging advisor loyalty to a firm.

This report covers:

- What the industry looks like now, the availability of candidates, their expectations and the skill set required by firms today.
- The ideal amount of assets/clients per private banker across different business and relationship models.
- The costs of recruitment and the pros and cons of the main recruitment models: poaching experienced professionals from other firms, recruiting inexperienced candidates (including graduate training programmes) and lateral hiring.

- The increasing role of qualifications in wealth management.

- Those "push" and "pull" factors that drive relationship managers to move firm, including remuneration, lack of career path, business models, platform issues and M&A activity.

- Within recruitment, employing the right candidate for the role: interview processes, the balance of "hunters" and "gatherers", candidates to match different client groups, and psychometric tests.

- Retention practices: how firms can create an environment which persuades good private bankers to stay with them, including training and development, evaluating and rewarding success through remuneration and reward structures, and the importance of the right platforms and IT.

- How to prepare for advisors leaving the firm and to mitigate the negative effects with the right structures and processes: the proportion of client assets a firm can expect to retain, encouraging client "stickiness" and ensuring that clients' loyalty is to firm or brand, rather than individual bankers.

- What the industry will look like in the future and how firms can position their talent for success by upskilling them now.

- Original case studies including:

  - The Standard Chartered Private Bank
  - Towry
  - UBS
  - Barclays Wealth
  - CISI Wealth Management Diploma
  - LawInContext
  - Vestra Wealth
  - Stonehage
  - Coutts
  - EFG International

The war for talent pauses for breath

Exponential growth in the wealth management industry in the last 10-15 years created a high demand for talented private bankers and investment professionals which outweighed supply among a finite group of experienced and qualified individuals.

The shortage became particularly pronounced in the years preceding the financial crisis with the so-called war for talent much discussed in the industry and of great concern to wealth management executives.

Demand patterns in the wealth management recruitment market then changed due to a number of factors related to the credit crisis. Whereas the equity bull run and high investment returns meant that 2007 was very much a candidates' market in most regions, 2008-2009 resulted in a reversal of the trend and firms could afford to be much more selective. Demand was still there in some quarters, but it became significantly more discerning.

Industry commentators estimate that 80 per cent of wealth management firms in London operated hiring freezes during this time; elsewhere, the worst of the tightness in the wealth management recruitment market eased globally as wealth managers scaled back their recruiting ambitions.

PricewaterhouseCoopers' (PwC) biennial private banking and wealth management survey found that whereas in 2007 the number one strategic priority for the CEOs of wealth management firms was the acquisition and retention of key staff, this had dropped to seventh place by 2009. Just over one-quarter of CEOs said that the economic crisis had led to a headcount reduction.

Perhaps for the first time, firms started to get rid of the people they didn't want and started to hire the people they did:

"Institutions still wanted to attract and retain good relationship managers, but average or poorly performing relationship managers were let go for the first time - whereas previously the front-office had been sacrosanct," said wealth management business consultant Ian Woodhouse.

In assessing this trend, PwC calculated that the demand for relationship managers was expected to fall by 24 per cent globally over the next two years.

At the time, the situation in EMEA (Europe, the Middle East and Africa) looked particularly serious, with wealth management firms anticipating falls in demand for wealth management staff of 45 per cent due to their aggressive hiring during the boom years, resulting in a far greater need to reduce headcount than in other areas.

In comparison, Asia Pacific firms expected a 17 per cent fall and firms in the Americas an almost negligible 1 per cent increase. PwC noted that these figures were in stark contrast to 2007, when demand for relationship managers globally was expected to grow by 32 per cent over the next two years.

As the financial crisis unfolded, changing firms became common, with the larger banks which were worst affected by the sub-prime crisis losing swathes of their workforce to start-up houses or boutiques. Some smaller wealth management houses even used the crisis as an opportunity to pick up experienced staff from troubled firms that they might not have had access to in the past. EFG International, Julius Baer and Bank Sarasin all hired aggressively, with Bank Sarasin hiring 122 relationship managers in 2008, and EFG and Julius Baer more than 100.

Due to its much-publicised exposure to the sub-prime crisis, UBS lost large numbers of wealth management staff to rivals including Rothschild, Credit Suisse and Barclays Wealth. Perhaps the most high-profile departures were the 18 client advisors and 30 support staff that left the London office of the firm to join Vestra Wealth, run by David Scott who left UBS in May 2007. UBS went as far as to take out a High Court injunction in August 2008 to stem the exodus and ensure that the departing employees abided by their contractual obligations. Cheviot Asset Management was another, earlier, high-profile beneficiary of a large volume of staff leaving UBS.

The outflows of relationship managers from big banks have varied substantially by percentage of headcount. A March 2010 study by Bank of America Merrill Lynch Global Research, contributed to by Ian Woodhouse, found that among the Swiss banks, for example, headcount from the peak in private banker numbers compared to 2009 fluctuated wildly.

In the worst case, private banker numbers were 28 per cent down from their peak, whereas at other firms headcount reduction was far less dramatic and, in some instances, flat.

"Julius Baer is at its peak level of private bankers and Credit Suisse is only down 2 per cent. While there is a risk that these firms haven't adopted their cost base to a new world where AuM is down significantly, we believe that these firms are actively managing their private banker workforce - taking advantage of the relative strength of their respective brands to upgrade the quality of their private bankers. By comparison, UBS and possibly EFG International could have a problem in regards to the attractiveness of their respective franchises for private bankers," the firm said in its research note.

Private bankers - headcount by institution

	UBS	Credit Suisse	Julius Baer	EFG International
2007	4253	3970	550	524
2008	4236	4180	619	726
2009	3182	4080	667	650
2009 vs 2007	-25%	3%	21%	24%
2009 vs peak	-28%	-2%	0%	-10%

Source: Company data and estimates from BofA Merrill Lynch Global Research. Note: Credit Suisse 2007 data is actually Q1 2009 (first disclosure). UBS data only applies to international client advisors (all that is disclosed). The EFG International 2009 figure is a BofA Merrill Lynch Global Research estimate as the company reports 17 March.

UBS saw smaller outflows for the first quarter of 2010, to SFr8 billion compared to more than SFr33 billion in the final quarter of 2009. However, the firm admitted that it would "have to expect further outflows" before it can turn this trend around.

CASE STUDY: CREDIT SUISSE

Credit Suisse's US private bank has said that it could nearly double the size of its relationship manager force over five years, according to *Dow Jones*.

In April 2010, Anthony DeChellis, Private Bank Americas chief executive, reportedly said that in a "normalised market environment," the Credit Suisse unit could boost its US headcount to 500 from 390 "in less than three years" and reach the 700 number in three to five years. He also said that Credit Suisse's recruiting strategy is "about the quality, not quantity" of relationship managers. The Swiss firm added 54 relationship managers last year and has added a further ten this year.

"Hiring people in the last 12 to 18 months has been more challenging given all of the retention packages offered by our competitors," Mr DeChellis told the news service, adding that "those packages raise the price in a lot of cases to a level that we're unwilling to go to."

Credit Suisse's growth will also include a graduate recruitment programme. The firm typically recruits 20 graduates from MBA programmes annually and says it would like to get to 30 a year.

In April 2009, at a time when rivals were laying off staff, the Swiss bank placed advertisements in the *The Wall Street Journal Asia, The Financial Times* and Singapore's *Business Times* asking bankers to make appointments with senior Credit Suisse officials in Singapore, Hong Kong, Japan and Australia.

"Amid unprecedented market turmoil, our private banking business recorded strong asset inflows," the bank's head of private banking for Asia Pacific, Marcel Kreis, said in *The Wall Street Journal* advertisement. "Private banking is one of the core businesses of Credit Suisse, with a notable high performance in Asia."

There are concerns that firms that have suffered particularly badly in the credit crisis will have trouble retaining their existing staff because it will be difficult for these firms to fight a rearguard action.

The headhunters' view

While demand for experienced private bankers with a strong network of contacts held up throughout the economic downturn due to the strong ability of these individuals to immediately add value to a business, 2009 saw little movement in the wealth management market.

Speaking to numerous headhunters in the wealth management space specifically for this report, most describe the market as a whole last year as particularly tough due to uncertainty from both banks and potential candidates. Wealth management firms were frequently described as being scared of making recruitment decisions, particularly at the high end.

"Moving with books of business was challenging, driven by fear from private banking clients," said Piers Thynne of the bespoke headhunting operation Thynne & Co.

Despite some high-profile redundancies, the availability of talent within the private banking marketplace in the UK and internationally continued to be relatively low, with private bankers reluctant to move firms due both to fears around job security and an unwillingness to take a cut in potential earnings in the short term as they rebuilt their client base.

Privately, headhunters say that although they might have pulled off a good deal here and there, anyone who says that they did well last year is lying. However, by the last quarter of 2009 things had started to improve and the consensus now is that firms have become considerably less anxious.

Increased demand for front-office staff is reported as compared to last year, with some claiming that the war for talent has resumed in the last six months, if indeed it ever went away, as there remains a shortage of experienced and talented wealth managers.

"I think that there remains an absolute war for talent for good people, and if anything it has intensified," said wealth management industry consultant Bruce Weatherill.

The recruitment market gathers pace once more

To shed some light on how active recruitment has been in wealth management in the past 12 months, jobs advertised on WealthCareers, sister site to *WealthBriefing*, averaged at around 120 at the start of 2009, but had risen to around 350 by the end of 2009 and 430 by the end of June 2010.

When *WealthBriefing* asked its subscribers in a poll in May 2010 whether advisors were more inclined to move from Tier 1 firms to medium-sized firms than before the financial crisis, 80 per cent of respondents agreed that they were.

Meanwhile, PwC's research found that rather than following any regional trend, recruitment was firm-specific during 2009, reflecting an individual firm's ability to perform through the crisis.

Recent announcements by a number of firms with regards hiring high profile teams from competitors that have in some cases been with the same firm for twenty years, as well as statements of intent to hire tens and in some cases hundreds of front-office staff over the next several years indicate that the gridlock in the industry has started to ease.

Small- to medium-sized firms are benefiting from a move away from the wealth management behemoths as they pick up experienced staff from high-profile rivals. One example in 2009 saw RBS Coutts Singapore lose tens of bankers to BSI, a Swiss-based private bank owned by the Generali Group. The company increased its staff numbers in Singapore sixfold from 30 in 2009 to 180, over 50 per cent of whom came from RBS Coutts. Coutts is, in turn, boosting its private banker headcount, having announced plans to recruit 200 additional staff in the next year. Other examples include moves in February and March 2010 from Merrill Lynch to the UK-based boutique firm Schroders, as well as number of individuals moving from Morgan Stanley to Rothschild.

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Firms that have announced hiring initiatives on a large scale include UBS, which said in March 2010 that it was looking to hire 400 client advisors in Asia, to boost the 1,000 advisors it already has in the region. This can also be viewed in the context of the fact that UBS recorded a net inflow of new funds in the Asia Pacific region in the fourth quarter of 2009, whereas net fund flows were negative in all other regions.

"We are the leading foreign wealth manager in the region and we want to build on that," Oswald Grübel, the bank's chief executive, told the *Financial Times*.

Other large Swiss private banking groups, such as Credit Suisse and Julius Baer, are also reportedly building teams in the region. Standard Chartered, which never had a hiring freeze, is looking to recruit an additional 100 relationship managers this year to boost its existing team of 400 by 25 per cent.

In March 2010, Barclays Wealth announced its intention to double its roster of private bankers over the next five years, through a £350 million investment in the firm, of which about a third will be deployed in the recruitment of high net worth bankers.

When interviewed for this report, Phil Smith, global head of human resources for Barclays Wealth, said that since 2006 the firm has progressively and consistently hired, and successfully embedded, a significant number of high-quality bankers in each of the markets in which it operates. "Over the next five years, our net additional hiring will predominantly focus on the UHNW and HNW markets, especially in North America, Switzerland, Singapore, Hong Kong and India," he said.

At the same time, relationship managers that might have been reluctant to move last year are now putting their head above the parapet. "Good bankers will have received a call from search firms and whilst for a time they have been reticent to move, they are starting to look outside," according to Bill Yelverton, senior project consultant with the business consultancy Scorpio Partnership.

This is a view that is confirmed by headhunters and wealth management industry consultants.

"The hiring freezes have come off and plenty of firms are hiring on an opportunistic basis, if someone comes in with a book or a team," said Edward Blomfield-Smith from Abercromby Associates, who also cites organic growth - especially among the clearing banks where their huge distribution - network means a increasing need for investment managers and relationship managers to cope with this growth. There are also instances where firms have lost front-office headcount and are looking to replenish their teams.

"As of September 2009, the lights have got flicked back on as recovering markets mean that clients are more inclined to move. This has been driven by discretionary rather than advisory business," according to Piers Thynne.

Several headhunters have noted movement from discretionary fund managers who seem to be incredibly frustrated by the houses they work for and are leaving, taking client assets with them.

Although relatively few and far between, some headhunters claim to have experienced no let-up in demand as more recruitment firms have come into the wealth management space as other areas of recruitment have become less competitive and banks continue to build in wealth management.

Mr Thynne now sees considerable opportunity in the market. "Whilst we are not back to the good old days, there is an interesting opportunity coming online. I see the potential for large swathes of front-office staff moving firm in 2010 as no one has been moving for 12-18 months. It was always a ticking time bomb and we could see a big flurry. Talent is the next battle line and when the upturn comes it will be very quick," he said.

Recruitment markets experience divergence

Demand for private bankers is not universal across the board and there are particular regions and pockets where certain skills and experience are particularly sought after. For example, recruiters note continued heightened interest in those bankers specialising in the Non-Resident Indian space and in the UK in the growing area of intermediary sales, as well as those specialising in the resident non-dom market.

There continue to be news reports which indicate that whilst recruitment in some geographies remains strong, firms are letting relationship managers go in others. In order to better understand what is happening, it is necessary to split the market into developed and less developed markets.

More developed regions have suffered due to the credit crisis and those markets heavily tied to securities in particular, like the US, have had to make adjustments around numbers of advisors. Acquisitions are also a factor and it is never easy to merge private banks and wealth managers, particularly front-office teams.

"Nascent or emerging markets are experiencing high growth and are therefore less affected. Their economies have rebounded, wealth creation is high and firms in these regions are hiring talent to service the growing demand," said Ian Woodhouse.

Whilst most experts report increased demand in the UK wealth management market, there has reportedly been a more pronounced jump in Asia, the Middle East and even in the developed markets of onshore Europe.

Even though there has been a contraction in assets under management in the UAE, particularly Dubai, there is still a need to recruit wealth managers to service the large numbers of wealthy individuals in the region and whilst the smaller firms may not be hiring, many expect that there is still room for growth in this market.

Those markets where wealth is experiencing the highest growth tend to be those that are newest to the private banking market. "Here, talent is in high demand but there is not a large pool of experienced private bankers on which to draw, for example India," according to Jacqui Brabazon, global head of marketing, philanthropy and key clients at The Standard Chartered Private Bank.

"Even offshore, where you may expect a long-term secular decline due to increased regulation, it's quite the reverse, particularly among those high-quality firms that don't rely on offshore business in these jurisdictions. I see lots of demand in the affluent and particularly in the UHNW space," said Rhian-Anwen Hamill from RAH Partners.

Remuneration

Although the decision to stay with an employer or to move firm goes beyond the financial, it is clear that recruitment is dependent on a competitive base salary being on offer. Bonus structures are being reviewed at many firms and are in future more likely to be based on longer-term revenue generation targets, along similar lines to investment bankers' new pay structures.

Paying exorbitant amounts in order to boost headcount is something that was commonplace when the war for talent in wealth management was at its peak, and there were rumours of firms paying senior private bankers anything up to £800,000 to entice them away from competitors. Whilst salaries at this level were "loss-leading", in general taking considerable time to break even, senior private bankers were considered crucial both to building teams and to inspiring other bankers to join.

However, such inflated salaries raised issues with regards to how the banker then made the relationship with the client remunerative in order to "earn their keep", which in its worst guise resulted in mis-selling. Offering extremely high salaries to new recruits also ran the risk of existing employees finding out what new colleagues are earning and attempting to re-negotiate their own salaries accordingly.

"Prior to the credit crisis, the situation with regards remuneration was a bit like collective pay agreements where it was difficult for firms to pay more to bring in better people. However, under this scenario, some were paid too much and some too little and there was little consistency around pay structures, commission levels or AuM-linked reward. Knowing what criteria on which to reward was difficult but this is now crucial," said Bruce Weatherill.

The economic downturn has brought salaries to a more realistic level. Although the recruitment market remained tight during 2009, compensation levels remained fairly constant, with just one or two banks bucking the trend. However, a divergence developed between those considered to be top talent and the average. Some headhunters report that whilst remuneration might have gone down a little, for very good people it is currently growing healthily, although the rate of change has declined and it is going up less steeply.

"There are premium packages for good people, but firms have had to 'cut their coat to fit their cloth'," said Ms Hamill. "That's not to say, however, that you can't improve on a package for the right candidate."

In March 2009 it was reported in *The New York Times* that UBS was increasing the base salary of its senior bankers after reducing many bonuses sharply and to align overall compensation more closely with other financial services jobs, like consulting. It was indicated in the report that some salaries for senior bankers were being raised to about £300,000 from about £120,000, in part to compensate for reduced bonuses.

London

Last spring, a leading salary report by the financial services search firm Napier Scott revealed that private bankers' salaries had proved the most resilient to the economic downturn over the past twelve months. Its 2009 salary and bonus survey found that those receiving the smallest reduction in remuneration over the year were in private banking, compared to quantitative financiers and analysts who suffered the biggest salary cuts, in some cases of up to 77 per cent.

Napier Scott's analysis of private banking remuneration found that at top-tier firms in the UK, client relationship managers' salaries ranged from an average £180,000 at managing director level, with in excess of 12 years of industry experience, down to £50,000 for an associate with three to six years of front-office experience. Bonuses ranged from £290,000 at MD level down to £45,000 for an associate.

One of the reported reasons that private banking salaries remained stable was that many banks were trying to keep remuneration for private bankers at attractive levels, with appealing base salaries to entice new talent to their firms.

However, at the same time, bonus structures were being reviewed by many firms and linked to longer-term revenue generation targets, along similar lines to investment bankers' new pay structures.

A more recent (April 2010) salary survey by recruitment consultants Joslin Rowe on the London private banking market found that wealth management has survived relatively unscathed by the recession and even firms with investment banking counterparts have continued to recruit. It notes an appreciable increase in senior relationship management, investment strategy and project/programme management roles, as well as a continued rise in private wealth business strategy and front-office jobs.

The survey found that a senior relationship manager could make upwards of £65,000 with a bonus of more than 30 per cent on top, whereas portfolio managers could make an average £60,000 or £75,000 on average (depending on whether they were dealing with HNW or UHNW clients), with bonuses of up to 60 per cent or 100 per cent of salary respectively.

Despite the robustness of the sector, the survey reveals that salaries have remained completely static compared to the same period in 2009. However, according to Joslin Rowe, at a more senior level and for private banker and relationship manager type roles, firms are being more flexible and are willing to look outside their usual bracket to get the right people. A straw poll of headhunters put salaries for a senior private banker in London higher, in a range of £120,000-£150,000 per annum plus bonus.

Higher salaries at account manager level are more difficult to justify. "This means that while someone who has been out of the market for a year or so can still command a market rate salary, firms are suspicious about individuals willing to take a salary cut as they fear that they will not stay for the long term," said Craig Rumball, from Joslin Rowe's London investment management team.

Salary Survey April 2010

Private Banking Salaries	Range	Typical	Bonus
Account Opener	£18-28,000 p/a	£23,000 p/a	0-6%
Account Manager's Assistant	£28-34,000 p/a	£32,000 p/a	0-8%
Account Manager/Relationship Manager (CeMap)	£40-65,000 p/a	£50,000 p/a	10-40%
Relationship Manager/Private Banker	£45-65,000 p/a	£55,000 p/a	25-80%
Senior Relationship Manager/Private Banker	£65,000+ p/a	N/A	30%+
Private Banking Sales	£30-70,000 p/a	£45,000 p/a	30%+
Private Banking Assistant/Clearer	£22-28,000 p/a	£24,000 p/a	0-5%
Portfolio Manager Salaries			
HNW/Mass Affluent Team Leader	£30-38,000 p/a	£35,000 p/a	0-10%
Portfolio Manager HNW/Mass Affluent	£45-75,000 p/a	£60,000 p/a	20-60%
Portfolio Manager UHNW	£50-90,000 p/a	£75,000 p/a	30-100%

Source: Joslin Rowe, April 2010

month-on-month increase. Across the London financial services industry, salaries remained stable for most, with 59 per cent of respondents stating that their basic pay had remained at a similar level to last year, although 38 per cent had seen a rise in basic salary. In other findings, 71 per cent of those surveyed said they were "satisfied" (42 per cent) or "somewhat satisfied" (29 per cent) with their total remuneration this year.

Morgan McKinley noted that the February data it examined was particularly significant as it is the first full working month since November 2009, the upward trend in numbers therefore providing an accurate picture as to the current health of the financial services jobs market. Whilst the rise in job opportunities in February was relatively modest, the firm said the increase augurs an improvement in the hiring market over 2010 rather than a strong rebound.

"We remain more positive about the outlook for the financial services jobs market compared to a year ago, however the depth of the recession in financial services should not allow for any complacency and the jobs market is still at a delicate stage of growth," said Andrew Evans, managing director of Morgan McKinley's financial services division.

Although not concentrating specifically on the private banking and wealth market, Morgan McKinley's *Employment Monitor and Bonus Survey*, conducted among 180 financial services professionals in the City of London and released in March 2010, found that new financial services job vacancies in February 2010 rose by 13 per cent month-on-month and were up 67 per cent on the same time last year.

The number of individuals entering the jobs market rose by 29 per cent month-on-month and also year-on-year, with the average City salary rising to £51,560 - a 2 per cent

Bonuses

Until recently, the tendency in wealth management was to keep base salaries flat and use increased bonuses to boost pay, so that their annual bonus typically made up the majority of a banker's total compensation.

However, with a number of banks having been beneficiaries of state aid and bonus schemes that encouraged excessive risk taking are in part blamed for the financial crisis, the issue of bankers' bonuses has become a hot topic around the world. In 2009 the UK government introduced a one-off 50 per cent tax on bonuses over £25,000, for example.

Headhunters claim that whilst there are issues with the bonus tax in the UK, it has not impacted the recruitment market in terms of persuading bankers overseas. A survey by the *Financial Times* in December 2009 revealed that bankers would be largely unaffected by the bonus tax, as many firms - Bank of America Merrill Lynch, Barclays Capital, Citigroup, Credit Suisse, Deutsche Bank, HSBC, Morgan Stanley, Nomura, RBS and UBS included - said that they would increase their bonus pools to absorb all or some of the cost of the new tax.

Meanwhile, those firms which are, in effect, government-owned have had to look at different pay and bonus structures.

"They are paying a little bit more on the basic with the opportunity to buy extra holiday or increased pensions contributions as they can't attach a discretionary bonus to the contract," said Mr Rumball from Joslin Rowe. "The majority of firms give discretionary bonuses based on individual and company performance, and no one gives guaranteed bonuses any more."

Morgan McKinley also surveyed 180 London-based financial services professionals on their payouts in the 2009/10 bonus round. They found that just under half (47 per cent) of respondents received a higher payout for that period compared to 2008/09. However, in the majority of cases, 2008/09 bonus payouts were lower than 2007/08, reflecting the changes in market conditions over this time.

In other findings:

- A quarter of respondents stated that they received a lower bonus than the previous year in 2009/10, compared to 60 per cent who received a lower payout in 2008/09 versus the 2007/08 bonus round.

- Nearly three-quarters of respondents were "satisfied" (38 per cent) or "somewhat satisfied" (35 per cent) with their bonus payment this year.

- However, there was a significant rise in the deferred element of City bonuses, with 33 per cent stating that part of their bonus was deferred rather than paid as cash, up from only 13 per cent in the prior year.

Edward Blomfield-Smith from Abercromby Associates is one headhunter who has noted that quite a lot of banks are deferring bonuses, so individuals are receiving less upfront, with as much as two-thirds deferred until next year or the year after. "This has been quite common and means that there are hacked-off bankers who are more mobile because of this, and this has affected the level of enquiries we have received," he said.

Morgan McKinley commented that whilst it may be surprising to see bonuses on the rise, many institutions performed relatively well in 2009 compared to 2008 and are continuing to reward employees based on the overall performance of the individual, the team and the business.

"It has always been the case that the City has used remuneration as a key way of attracting and retaining talent, and this looks unlikely to change. However, how and what financial institutions pay their staff will no doubt continue to be the subject of intense scrutiny. In turn, we are likely to see a greater variation in the structure of employee compensation among different institutions as they find new ways to reward the brightest minds in the industry," concluded Morgan McKinley's Andrew Evans.

Banks and regulators around the world were forced to rethink their pay and bonus structures as a result of the crisis. By way of example, UBS cut bonuses for 2008 by more than 80 per cent and Credit Suisse scaled back its bonuses by 44 per cent overall, with more stringent cuts for senior managers.

Credit Suisse, UBS and Morgan Stanley also reportedly added "clawback" clauses to bankers' pay agreements, allowing the banks to take back some pay from employees who fail to meet certain performance goals. Furthermore, UBS said that its chairman, chief executive and other members of the executive board would receive only salaries and no bonus for 2008.

"Regulators are also pushing for a much stronger alignment between business and client objectives and compensation," PwC has noted.

Senior salaries at the five largest Swiss banks

Firm	CEO	Remuneration (SFr)	Bonus (as a % of remuneration)
EFG International	Lawrence Howell	6,932,214	72%
Julius Baer	Hans de Gier	5,009,960	72%
Credit Suisse	Brady Dougan	2,860,000	0%
UBS	Marcel Rohner	1,814,702	0%
Valiant	Kurt Streit	1,280,000	50%

Source: Ethos (the Swiss foundation for sustainable development), 2008

Switzerland

Headhunters say that demand for relationship managers in Switzerland is strong at the moment, with many firms recruiting and several key firms having determined their growth plans for the next two years.

"Remuneration structures have largely become more entrepreneurial across the market. Whilst taking less risk with hires than they did several years ago, banks have become more realistic about target-setting for asset gathering," said Daniel Aghdami, director, DART Talent & Executive Search, Zurich.

Some firms are even offering guarantees or a higher revenue sharing percentage for the first year or two of employment to soften the financial blow of a change of employer while relationship managers find their feet and acquire new clients for the firm.

Tax-compliance experts and professionals specialising in trust, tax and insurance matters are reportedly being sought as a priority for a number of institutions at the moment, particularly those larger houses with high levels of cross-border business.

Despite the introduction of increasingly strict rules on offshore banking hitting the jurisdiction, Switzerland has seen an influx of bankers from the UK looking to avoid the new 50 per cent rate of income tax and the introduction of the bonus tax, as well as for lifestyle reasons. However, this has yet to reach epidemic proportions and has been seen primarily on the institutional side to date.

In its spring 2009 salary survey, Napier Scott found that whilst Swiss-based managing directors' salaries were similar to those of their UK counterparts, their bonuses are considerably higher - an average of £485,000 compared to £290,000. However, more junior staff earn less than their UK counterparts, with associates earning an average £40,000 basic and a £35,000 bonus.

Middle East

When *WealthBriefing* asked in December 2009 whether the Dubai debt saga would damage the wealth management industry in the Middle East, 58 per cent of respondents felt that it would, 32 per cent thought that it would not and 10 per cent thought it was too early to say.

Headhunters now report a renewed confidence in the region, although this confidence is shaky. "Cash pools have shrunk, but there is still cash there and investors are going back into the markets cautiously," said Darryl Hubert, manager, Gulf region, at Joslin Rowe Associates.

Whilst historically, in the boom times, firms in the region successfully captured market share by recruiting volumes of mass affluent or "priority" bankers, the credit crisis proved that these individuals were not equipped to provide advice to HNW individuals in the same way as a true private banker. It is now genuine investment advisors with real experience servicing clients with $1 million plus that are sought after, rather than those clients with assets between $100,000 and $1 million.

"When international firms entered the market they saw good results in terms of AuM from bankers. However there was a realisation that doubling the number of bankers did not necessarily result in firms doubling their fees. The second wave of hires were competing against the more established bankers at other firms in a region where it takes time to build trust" said Mr Hubert.

In the Middle East, understanding the client is key, as is recruitment of experienced relationship managers with a knowledge of the local culture. It is important to be connected with the right people in the region; building trust and fostering personal recommendations are vital, as is the demonstration of a real commitment to the region, evidenced by strong marketing and presence on the ground.

Most private bankers in the region have been imported, but have worked in the region for a considerable time, and the deeper and stronger the roots of the relationship the greater the likelihood is that they can bring a high portion of client assets with them when they move firm. "Established relationships are key, so individuals recruited locally who already have the relationships can impact the bottom line more quickly than those from outside the region," Mr Hubert said.

In the Middle East, salaries for private bankers have historically been high compared with the UK. Napier Scott's 2009 salary survey found that MDs in the Middle East at Dubai-based international banks received the highest basic salary globally at £200,000, with a bonus of £255,000, and whilst associates earned an average basic salary of £50,000, their bonuses were the highest globally at £75,000.

Prior to 2008 firms were aggressively competing for talent, which resulted in a trend in bankers moving firms every couple of years as they were offered significantly increased remuneration. However, salaries have now come down in the Middle Eastern region and clients who have stayed loyal to their banker are becoming more cynical as to whose interest the banker has at heart - and less inclined to move with them if they have already moved firm once or twice within a three- to five-year period.

A further factor to consider is that it is difficult for private bankers to move from smaller institutions to mid-size or larger firms in the Middle East as clients tend to be multi-banked. If a private banker joins a Tier 1 firm with which one of their clients already has a relationship, the relationship with the existing manager there will take precedence. "This can make it difficult for advisors to bring over assets," said Mr Hubert.

Morgan McKinley salary survey, Singapore - private banking 2009

Role	AVP	VP	SVP	Director
Wealth Manager/Relationship Manager/Private Banker	84-120 39-55*	120-180 55-84*	220-270 102-125*	250-350 116-162*
Investment Advisors/Consultants	84-110 39-51*	120-160 55-75*	160-200 75-93*	72%
Marketing (wealth management)	80-110 37-51*	120-140 55-65*	160-180 75-84*	180-200 84-93*

*Singapore - Private Banking 2009. Salaries in Singapore dollars $0,000s per annum or *£0,000s GBP per annum*

The region is therefore starting to see new investment advisory firms set up, using the big banks to structure products. These smaller firms are attracting the private bankers that have established client relationships by offering a more transparent commission or fee structure in the variable part of the package, so that if they bring a certain amount of fees, they get a set amount of bonus. "This level of certainty is potentially a very attractive inducement when combined with the right platform, when some of the larger firms are now only able to offer discretionary rather than fixed bonuses," Mr Hubert went on to say.

Asia Pacific

The Asia Pacific region is expected to drive the growth in the wealth of HNW individuals globally, with the Merrill Lynch/Capgemini *World Wealth Report 2009* predicting that Asia Pacific will overtake the US in terms of numbers of wealthy individuals by 2013.

Many firms are setting themselves up to meet this anticipated growth by hiring large numbers of relationship managers. The war for talent is therefore fast becoming an issue in Asia again, particularly as the pool of talent is comparatively shallow due to the fact that the industry is still in its relative infancy.

A survey published by Morgan McKinley on Singapore and Hong Kong's financial services sector in January 2010 found that the majority of respondents (62.4 per cent in Singapore and 54.9 per cent in Hong Kong) expect basic salary offers within their business to increase over the next 12 months, primarily due to the need to attract and retain key staff as the market improves.

With regards bonuses, 70.1 per cent of those surveyed in Singapore and 79.5 per cent in Hong Kong said they expected their teams to receive a bonus; just over half predicted this bonus will be similar or higher than the amount in 2008. The survey further noted that talk of reducing excessive bonuses and disincentivising high risk, short-term strategies was not translating into reality in terms of restructured packages in the region.

Despite the huge demand for relationship managers in Asia, Nick Hughes from the Singapore-based private banking search firm Atkinson Stuart says that, far from being a "free for all", banks are still being highly selective in their hiring, with experience of key importance. "They want senior bankers with a substantial book already who will be profitable in the first two years," he said.

Barclays Wealth has recently hired a sizeable number of NRI-focused bankers based in Singapore, which it says underlines its strategy of hiring proven, advisory-led bankers in key market segments that can effectively leverage the firm's capabilities and solutions.

Having got their fingers burned during the downturn, HNW individuals in the region have become more cautious with regards their bankers and are more clued up - increasing their "stickiness" to their wealth management firm as they know when they have found a good bank. Asian clients tend to like the stability of the larger banks, which have a range of products and a good brand, and this is making the strength of client relationships key to employers.

"Bankers need to demonstrate that their clients will follow them and with more than just a token amount to see how things develop," said Mr Hughes.

Whilst qualifications are important at a junior level, bankers do not necessarily need to be graduates but rather to have built up a network and strong client relationships. Team moves are common in the region as there is comfort and a safeguard in numbers in moving business over and integrating into a new firm.

Whilst bankers from London, Switzerland and Dubai have heard that firms are hiring aggressively in the region and want to make the move out to Asia, firms are sceptical if they have no experience in Asia or do not speak Mandarin, questioning how they will add value as they would be starting from scratch.

Despite the extremely competitive market for talent in Asia, a hire has to make sense financially. It is normally a straightforward formula to work out cost versus profit and how long a new hire may take to generate revenue once expenses are taken into account. Average assets per banker are relatively low at around $60 million, so whilst a banker might make $500,000 in revenue, with a salary of up to $200,000 (plus their overall costs such as office space and expenses), it is easy for bankers to be loss-making.

Due to the rapid growth in the market, the talent pool in India is small and shallow. Firms are challenged by how to meet the growing demands and expectations of clients on the one hand and obtaining the right profile of wealth manager to service these clients on the other.

"Most firms will give a new recruit two to three years to become profitable and want to see some defined growth and a clear strategy of how they will develop their clients," said Mr Hughes.

In a piece entitled *India banks plan recruitment spree,* the *Financial Times* reported in February 2010 that Indian and foreign banks operating in India are planning to hire at least 50,000 people as Asia's third-largest economy recovers quickly and returns to the hiring spree days seen before the financial crisis.

Those firms named in the report that confirmed that they have already hired or are actively searching for fresh talent in 2010 include State Bank of India, Citigroup, Credit Suisse, Barclays, ICICI Bank, Standard Chartered, HDFC Bank and Yes Bank. According to the report, many of the banks said they were considering increasing salaries - by between 10 and 20 per cent - in 2010 as they feared attrition rates would go up as groups tried to snatch the best employees.

SBI, India's largest lender, is set to be the biggest recruiter in 2010 as it plans to hire at least 27,000 people across different departments of the bank, in an effort to expand its operations in rural areas.

Among the international banks, Standard Chartered and Citi are set to be the most active in the search for new talent to strengthen their operations throughout India. Meanwhile, Credit Suisse and Barclays are hiring some 200 and 300 people, respectively, as they plan to expand aggressively in the country.

"We are looking to hire at least 2,500 people in 2010 after having hired 2,300 in 2009, as we are trying to boost our frontline staff," Madhavi Lall, South Asia head of human resources at Standard Chartered, told the *Financial Times*.
The country's private banks, which have emerged fairly unscathed from the financial crisis, are also scrambling for new talent, as many have announced plans to open new branches in smaller cities.

CASE STUDY: INDIA

India has grown very fast, particularly in the last two years and is highly fragmented in the wealth management and private banking space.

International private banks which offer private banking and wealth management as part of the services of a larger institution have about 65-70 per cent of the market. Family offices are mushrooming in the region, taking up 5-10 per cent of the market, while the rest is made up of boutique wealth managers. Given the industry fragmentation in India, there are few firms with sizeable assets under management and most are in the $1-5 billion space. It is possible to count on one hand the established players in the Indian market with reasonably large books, which makes it ripe for consolidation from both a client and relationship manager point of view.

India is fundamentally an onshore market from a product point of view as Indians cannot invest more than $200,000 per individual per annum overseas. It is very much a growing market in terms of wealth creation and has the second largest population of US dollar billionaires in Asia after China, with 49 billionaires compared to 89. Indian clients are mainly entrepreneurial, with small business owners and self-employed individuals making up some 40-45 per cent of the market. Corporate executives and salaried individuals, and sports, media and entertainment professionals are also growing segments. Professionals such as lawyers, accountants, doctors and accounts make up a smaller segment and there is also a proportion of inherited wealth.

Due to the rapid growth in the market, the talent pool in India is small and shallow. Firms are challenged by how to meet the growing demands and expectations of clients on the one hand and obtaining the right profile of wealth manager to service these clients on the other. "The challenge in India is that talent is limited and firms are grappling with how to nurture and grow these many people," said Soumya Rajan, managing director and head of The Standard Chartered Private Bank in India.

The Standard Chartered Private Bank in India

Standard Chartered has moved into the private banking space in India relatively recently, almost three years ago. It had 30 private bankers in India in 2008 and 54 at the end of 2009; it is aiming for 80 by the end of 2010 and 100 by end-2011.

"We created our private bank here by migrating the top tier of our mass affluent segment in terms of clients and relationship managers and provided these relationship managers with the skills, tools, product know-how, value proposition and training to succeed," Ms Rajan said.

New entrants to the market can find it more difficult to recruit as clients are more familiar with the institution than the private banker and are not inclined to move with them, meaning that on average they are not able to move more than 25-30 per cent of their book from a previous organisation. The Standard Chartered Private Bank's strategy has therefore been to develop home-grown talent and make tactical plays.

"Rather than target the 'Level 1' relationship managers with the biggest books, we have instead strategically targeted relationship managers with mid-size books and encouraged them to come over to Standard Chartered, to use our platform and add value to further engage with more clients," said Ms Rajan. "As we have been in India for 150 years and have an established strong brand, this opens doors with clients."

Existing private banking clients in India typically have three private banking relationships. However, there are many wealthy individuals with $2-3 million in AuM that do not have a private banking relationship at all. According to the firm, there is considerable growth in India outside the usual metropolises and it is targeting these areas - currently starved of private banking facilities - with its proposition in order to reach this new segment.

Rajan says that talent in India tends to be a mixture of both experienced private bankers that might have been brought in from overseas and home-grown talent.

Latin America is seen as offering significant potential for growth, with Brazil in particular experiencing huge interest due to its rapid emergence from the global downturn and stock market highs. Numerous global wealth managers including UBS, Credit Suisse and Deutsche Bank have launched in the Latin American region in the last 12 months.

"There is also a larger NRI piece, which is a very big target market for the bank, and some of those bankers with NRI contacts have returned to India to explore opportunities in the Indian market," said Ms Rajan.

By virtue of the fact that the market is so small, making finding the right people externally difficult, talent is often developed inside Standard Chartered.

"Due to our reasonably aggressive growth strategy we are also looking to recruit relationship managers in Premier or Priority banking roles and providing them with career progression prospects and training to progress into private bankers," said Ms Rajan. "In any case, the period of gestation for a new banker to the firm to build a profitable book of business is on average 18 months. We provide the relationship manager with the opportunity to learn and develop, as well as capture growth during this time."

Other regions

According to headhunters, there is high demand for private bankers with existing Latin American and emerging markets networks. Latin America is seen as offering significant potential for growth, with Brazil in particular experiencing huge interest due to its rapid emergence from the global downturn and stock market highs. Numerous global wealth managers including UBS, Credit Suisse and Deutsche Bank have launched in the Latin American region in the last 12 months.

Headhunters report that the Caribbean market has remained strong to a degree, despite budget revenue measures in the Caymans which have increased the cost of doing business there, continued scrutiny by the US and the G20's more aggressive stance toward offshore financial centres.

"From the candidate side, some inflows into the Caribbean centres may be driven by people seeking to escape the recession in the UK, as well as benefiting from the low tax environment and a favourable dollar exchange rate though we are still monitoring this carefully, as a number of the powerhouse firms have been making, and continue to make, lay-offs," said Nick Careless from AP Executive, part of AP Group. He also notes that there is somewhat of a "lag period" where offshore locations experience the knock-on effect of any global economic downturn coming out of the major financial centres which feed them work. "This lag, already felt in onshore jurisdictions more than a year ago, is now starting to impact these offshore jurisdictions," Mr Careless concluded.

When Napier Scott last conducted its salary survey a year ago, Russian MDs based in Moscow were found to make a basic salary of £180,000 with a bonus of £290,000, whilst associates earned an average £44,000 with a bonus of £30,000. However, as some wealthy Russians have seen their portfolios fall in value substantially, the market for bankers serving this segment has contracted somewhat. ■

A new paradigm

The Merrill Lynch/Capgemini *World Wealth Report 2009* revealed that advisors tend to overvalue their own relationship with the client. Over nine-tenths (92 per cent) said the relationship was very important in underpinning a client's decision to stay with a firm, while only 73 per cent of clients agreed.

What firms are looking for in relationship managers after the financial crisis

Whilst a headhunter's core motivation will always be how they will make money by moving people between firms, private banks and wealth management houses need to think about what criteria they are actually looking for in relationship managers.

A couple of years ago, in their desperation to boost headcount, some firms were forced to prioritise quantity over quality when it came to recruiting relationship managers. Since the onset of the global financial crisis, those firms relatively unaffected have found that prospective relationship managers have sought them out, meaning that they can be more selective about who they take on. For this reason, it is only recently that many firms have considered what they are actually looking for from their front-office staff.

"The wealth management industry needs to better define what it regards as good people and what the metrics are for measuring this," consultant Bruce Weatherill observed. "Whilst the 'noughties' was the decade of the relationship manager, the second decade of the twenty-first century is going to be the era of the professional wealth manager using systems and technology to maximum efficiency."

According to Michael Maslinski, director of the consultancy Maslinski & Co, the crisis has impressed on many clients the need for a mature and experienced advisor who helps them with the big decisions, rather than a salesperson who merely helps them to select products.

"Clients want advisors that relate to them better and better understand the circumstances in which they are operating, looking at their overall risk profile, including investment in private companies," said Mr Maslinski. He further notes that there have been numerous reports of clients going over the head of their relationship manager to seek advice from more senior people considered to have greater experience and wisdom.

Barclays Wealth has defined the qualities that it looks for in relationship managers and places these at the core of its recruitment and selection processes. They are:

- Exceptional advisory skills underpinned by the ability to build deep, trusted relationships with clients.
- A strong investment intellect and the capacity to absorb, construct and/or utilise sophisticated investment solutions as part of their advisory relationship.
- A strong orientation to risk management and their regulatory accountabilities as enablers to their long-term success, rather than viewing it as a barrier or bureaucracy to be overcome.
- A relentless focus on the client experience from end-to-end in the client life-cycle, leveraging the full value of the institution for which they work.

The recent crisis has exposed a shortfall in advisor skills, qualifications and attributes, along with a weakness in the traditional relationship management model. Even those in the industry that contend that prior to the financial crisis quality was key in potential candidates, no one is disputing that the benchmark has now been set higher.

A survey conducted by independent consultant Bruce Weatherill with *Dow Jones* in 2009 entitled *Wealth Management After The Crunch*, found a huge discrepancy between what clients and wealth managers think. Just

9 per cent of clients regarded their relationship manager as "good" or "very good", meaning that 91 per cent regarded them as only just satisfactory or worse. "This means that increasing the quality of relationship managers and overall talent management in the industry is absolutely critical," said Mr Weatherill.

The Merrill Lynch/Capgemini *World Wealth Report 2009* featured similar findings, revealing that advisors tend to overvalue their own relationship with the client. Over nine-tenths (92 per cent) said the relationship was very important in underpinning a client's decision to stay with a firm, while only 73 per cent of clients agreed. "This suggests advisors have yet to adjust to the new reality in which trust and confidence in advisors, firms and the financial system have been eroded," the report said. It also found that although clients said it was loss of trust in *their advisor* that had or would prompt them to defect or move assets, advisors said loss of trust or confidence in *the firm* was the number one driver of client attrition.

With the average client having around £1 million in AuM and paying an average £10,000-£15,000 of fees per annum, clients are starting to ask what they are getting for their money. If they don't think that their relationship manager is up to scratch, they are telling the firm and if the firm doesn't listen, they are leaving.

"Clients' expectations and understanding of their wealth manager's value proposition is critical," Mr Weatherill said, and he also observes that talent management is now being driven by the organisation as in this context they need better private bankers with the ability to add value.

One consequence is that professional qualifications are becoming more and more desirable, and firms are increasingly demanding relationship managers with a depth of technical knowledge.

Qualifications like Financial Planning Certificates at various levels have become part of many firms' recruitment criteria in the past 6-12 months, as has the Investment Management Certificate in private wealth roles. In lending-focused roles, CeMAP qualified candidates are going down well.

"Firms prefer to look at candidates that have the aptitude and desire to study," said Craig Rumball from Joslin Rowe. In his experience, firms are gaining the technical ability they need by recruiting for lots of roles internally and then asking recruiters to backfill for the technical role.

Communication skills

Clients became disillusioned during the financial crisis and were highly critical of firms' speed of response and the levels of communication and contact they experienced. Relationship managers proved themselves to be

With the average client having around £1 million in AuM and paying an average £10,000-£15,000 of fees per annum, clients are starting to ask what they are getting for their money.

ill-equipped to communicate with 100 clients in one day, even with the support of the teams around them.

This led clients to think long and hard about their private banking relationships, perhaps for the first time ever, and many are cynical. The majority of wealth management executives said they regarded communicating their USP to clients as one of their biggest challenges, according to *Wealth Management After the Crunch*.

In its *Private Banking and Wealth Management Survey 2009*, PwC noted that relationship managers' communications skills had been found wanting as they had to deliver bad news to clients and respond to mounting frustration and increasing demands for transparency. According to this research, the five most common areas of weakness identified by wealth management firms in their relationship managers were:

- An inability to adjust to change quickly
- Lack of client relationship skills
- Lack of understanding of risk
- Lack of global experience
- Lack of business experience

As much as talking to candidates about the size of their book and revenues, firms are therefore now looking for experience and "softer" skills such as an ability to maintain client relationships and explain poor performance. Forging and maintaining strong relationships with clients and engendering honesty and good advice have become of paramount importance.

Multiple skill sets

Industry observers note a trend where wealth management firms are increasingly looking for individuals with a multi-faceted skill set.

"They need more strings to their bow in the next 12-18 months as firms want to get multiple value out of any hire. This applies especially to more boutique-style firms who may want expertise in hedge funds or fixed income and expect multi-tasking," said Mr Thynne. Whilst it is "horses for courses" and for larger firms such breadth may not be so important, the demand is for good quality individuals.

Scorpio Partnership has witnessed banks recruiting specialists "without portfolio" as an enhancement to their front-office team. "The remits of these individuals go beyond direct client or sales management to ensure that teams do not miss an opportunity," said Scorpio's Bill Yelverton.

Some firms are building up niche teams within areas such as credit lending and emerging markets, as well as those with a skill set including the sale of structures and trusts, discretionary management and the like, so private bankers with knowledge of these areas are particularly sought after at the moment.

A book of business

It is often assumed that private bankers are under considerable pressure to bring clients with them and that without a book of business it is difficult to move firm. A recent *WealthBriefing* poll asked its subscribers whether a book of business was still the most important criteria wealth management firms looked for when recruiting. Despite firms' protestations to the contrary, 85 per cent of respondents said that it was, with just 15 per cent being in disagreement.

Although there will always be an emphasis on bringing on board asset gatherers rather than pure relationship managers and in an ideal world new recruits would have an ability to add value from day one, firms say they are increasingly taking a more realistic long-term view. Contacts and the ability to build relationships are perceived as increasingly important, with additional value placed on experience and softer relationship management skills.

Although a firm will rarely turn away a book of business, more than recruitment being solely about a banker bringing client money with them when they join a new firm, headhunters agree that there is less emphasis on how much money they can bring with them than two years ago. There is an increasing sense that the right training and experience and an ability to build relationships and retain contacts are equally, if not more, important.

The industry is beginning to realise that a book of business is harder to move than people think due to "hands off" periods and stricter covenants around poaching clients, although there are ways around this if it is deemed that the client followed the advisor of their own volition.

PwC suggests that the large majority of relationship managers take under 40 per cent of their client assets with them when they change employer, significantly less than the industry perception.

Whilst recruiting firms always look at the size and profitability of a potential candidate's current book because it is a measure of the candidate's previous success and what they are potentially buying is the skills of developing and managing a book, privately many firms would rather have someone who they are confident would *continue* to bring in business.

"On balance, you'd rather have someone you know will bring in £50 million every year rather than someone who brings 50-60 per cent of their book on day one and then nothing ever again," said one senior executive at a leading firm, who wished to remain unnamed. "Too many people are too obsessed by the book - it is narrow and short-term and the potential to bring in new business over five years is more important."

Jacqui Brabazon from The Standard Chartered Private Bank says that whilst a book of business is tempting and can be a great source of new business, firms should proceed with caution as not all books of business will necessarily have been developed by the relationship manager in question.

"As a potential employer you have to understand the mechanics behind the book - has it been hunted or donated, what is the product composition, what are the clients like (size, segment and geography etc), what are the clients looking for and so on," she said. "The percentage of the book that can be moved will be dependent on a number of factors, including the relationship manager, the products you offer vis-à-vis their current provider, the added value services, your reputation. Ultimately the client has to satisfy themselves that it is in their best interests to move."

According to Phil Smith from Barclays Wealth, the firm does not set out to look for a transportable book of business from any hiring that it does. The focus is instead on hiring bankers of exceptional quality, with deep trusted advisor relationships. "This, coupled with the belief we have in our platform and brand, means we never chase or buy books of business through recruitment," he said.

According to the headhunters interviewed for this report, at the start of the credit crisis, smaller firms were desperate for candidates with a book of business as they had experienced lots of redemptions and needed to quickly increase their AuM. Whilst recruiting advisors with books of business was apparently a focus last year, since 2010 the emphasis on acquiring client assets has reduced as the market is more confident and redemptions have slowed.

"There is more of a focus on business development and sales roles - in winning genuinely new business and growing books that way," said Craig Rumball from Joslin Rowe, who cites examples of successful firms recruiting senior private bankers and financial planners to manage the needs of the clients they already have and where they are at full capacity and cannot handle more assets at present.

There is an increasing sense that if a private banker is credible and can talk confidently about financial markets, then they will be attractive to clients regardless of the assets they may bring with them.

The growing importance of qualifications?

The credit crisis has highlighted the lack of formal qualifications held by many advisors and relationship managers.

"There hasn't been an industry standard around qualifications and this has led to mis-selling in all markets, both nascent and developed," said wealth management business consultant Ian Woodhouse.

In a poll conducted by *WealthBriefing* among its subscribers in April 2010, 83 per cent said that qualifications were becoming increasingly important in wealth management, although a significant minority of 17 per cent felt that they were not.

In an earlier poll in July 2009, *WealthBriefing* also asked its readers whether they thought that the quality of relationship managers needed to improve further. A resounding 89 per cent felt that that was definitely the case, with the 5 per cent unsure and 6 per cent disagreeing.

This is concerning in an environment where firms said that increased contact with clients is their most common retention tactic, with more than 90 per cent seeing their relationship managers increase their interaction with clients and 69 per cent saying that the frequency with which advice is given to clients has increased, according to PwC research. Some 49 per cent are providing clients with additional insights on market trends and product performance, all of which places pressure on ill-equipped relationship managers.

"Someone with professional qualifications and five years of experience in the role is now as marketable as someone with decades of experience," according to Joslin Rowe's Mr Rumball. "Those who have done lots of wealth management qualifications off their own back are particularly impressive to both firms and clients as they have demonstrated they have a vested interest in working in the industry, adding value and bringing a little more to the table."

Daniel Aghdami of the recruitment firm DART believes that although firms still seek producers or "hunters" who are able to generate relationships and business for the bank, and whilst qualifications are less important for relationship managers in certain companies, professionalism and high-quality client service are key for virtually every wealth manager at the moment. "This is achieved increasingly through hiring highly-qualified investment consultants to work together with relationship managers," he said.

Barclays Wealth says that qualifications have always been important to the firm as they demonstrate skill and advisory expertise through external accreditation. "This is why we are globally committed to the CFA and why all of our campus hires are sponsored to achieve Level 3, and we provide unfettered sponsorship to any experienced banker wishing to hit the same level," said Phil Smith.

The Standard Chartered Private Bank believes that, whilst not essential, specific wealth management skills over and above the regulatory requirements have a role to play as they can provide clients with additional peace of mind that they are dealing with a well-qualified advisor, and provide development opportunities for both existing advisors and for new entrants to the industry wishing to demonstrate a true desire to be successful. "Nevertheless, what is equally important is the training and continuous professional development provided by a company to develop and motivate key staff," said Ms Brabazon.

Meanwhile, Michael Maslinski believes that qualifications are too often focused on learning facts rather than encouraging advisors to develop their judgement and insight, so they do not always test the skills the clients are seeking.

"Qualifications can be too clerical. Advisors don't necessarily need to know all of the facts in excessive detail, as they can look these up," he said. "What they need is a full understanding of the client's circumstances and the ability to match them intelligently to the options available."

Age before beauty

While qualifications are becoming an increasing focus, there has long been an argument that credibility only comes with age and experience and that a 50-year old private banking client may not necessarily want to be advised by a 23-year old, however intelligent and well-qualified they may be.

It was found that 62 per cent of advisors who were successful in retaining clients were aged 41 or over.

"In Europe and America, CRMs tend to be above 30 and there are still many in the 40-50 category. In Asia they are younger, perhaps not surprisingly as it is an emerging market," according to PwC.

Experience became of paramount importance during the financial crisis, with firms selectively poaching relationship managers with the talent and experience required to navigate the crisis.

The Merrill Lynch/Capgemini *World Wealth Report 2009* found that advisors aged 41 or over were better able to retain clients during 2008 than their younger counterparts. It was found that 62 per cent of advisors who were successful in retaining clients were aged 41 or over, compared to younger advisors (38 per cent). "This suggests that clients value experience in an advisor, particularly when being guided through a crisis," said the report.

However, other industry experts point out that however experienced the relationship manager, they may not find the transition from one firm to another easy if they lack the relevant qualifications.

With new industry regulations like the Retail Distribution Review in the UK, many private wealth firms would rather recruit a graduate-level educated candidate with the relevant qualifications than someone who has spent 20 years at one firm without qualifications.

CASE STUDY: TOWRY

Towry is a fast-growing advisory wealth business, employing over 750 people in 21 offices across the UK. It operates on a fee-only basis, offering independent wealth advice and investment management services to private individuals with investable assets in excess of £100,000.

Staff retention at Towry is very high, with turnover less than 10 per cent, which the firm attributes primarily to cultural reasons:

"We invest in professional development, not just of our wealth advisors, but across the whole company. It's made very clear that everyone is regarded as one big team and each individual is as important as the next," said Alex Rickard, head of Employee Proposition. "Culturally, we invest time and money into professional qualifications, career development, and are committed to our employees' well-being. We like to ensure that all employees' aspirations are met within the framework of our business objectives. It also helps that as an organisation we are very clear about where we are going."

Everyone employed by Towry is also a shareholder, which means they are rewarded for being part of the collective efforts in driving the business forward.

The firm says that its core values are also key:

Core values at Towry

- Honesty and integrity
- Focus
- Excellence
- Team spirit

Whilst many companies profess to have core values, Towry says that rather than allowing them to gather dust on a shelf, where it differs is that over the last three years it has embedded these values in its processes by the way in which it rewards behaviours. "Even if someone has done a fantastic job, but they have done so in isolation rather than using a team-based approach, this affects how they are rewarded, which in turn drives the right behaviour," says Ms Rickard.

Qualifications

Towry only recruits wealth advisors who are qualified to CII Diploma in Financial Planning level as in its view this qualification goes beyond a focus purely on securities and has the benefit of being well-regarded globally. Under the Towry Masters Programme employees are then provided with a specific training and education plan which recognises their specific development goals and provides them with the time and support to achieve first Chartered status, then Fellow and beyond. The firm has just created a professional qualifications team which is designing revision seminars and preparation workshops for those undertaking qualifications.

Towry is keen to emphasise that all employees, not just wealth advisors, are encouraged to achieve Masters status in their chosen profession, be that human resources, finance or wealth advice. In the last two years, 18 employees have achieved fellow status with the CII, with a further 12 expected to reach this status in the next 12 months, in addition to others in their chosen professional specialism.

Ms Rickard likens Towry to a professional services firm where everyone is encouraged to obtain the professional qualification in their chosen field. "In fact we go a step further, because our commitment goes beyond fee earners but to all employees, which reinforces that no one person is more important than another in the success of the business," she said.

Success in acquisitions

Describing itself as acquisitive, Towry says it is important to integrate acquisitions effectively. It recently acquired Edward Jones UK and, in so doing, more than 160 advisors.

"This acquisition is a transformational step in Towry's strategy to become the leading firm of independent fee-based wealth advisors in the UK," said Andrew Fisher, Towry's chief executive, at the time of the acquisition.

Using this acquisition as an example, the firm says that it has been successful as due diligence carried out ahead of the purchase meant that it was sure of acquiring a high-quality business with talented associates which was already very supportive of industry training. This meant that ex-Edward Jones advisors had the right commitment and motivation for further training to provide the best service to Towry's clients.

Employing the right people

To ensure that it employs the right candidate for the role, over and above qualifications, Towry hires very specifically against its core values and behaviours. It also carries out competency-based interviews which, rather than asking candidates to give hypothetical answers to questions, asks them to demonstrate how they would deal with a situation based on past examples.

The recruiting manager and HR team sit together at each interview to ensure the quality of the candidate is reviewed at each stage.

Psychometric testing is also used, in the form of verbal and numerical reasoning assessments. This is particularly important for those at a management level who, rather than being client-facing, effectively act as mentors and coaches to the wealth advisors, run the management information and build centres of influence.

CASE STUDY: THE STANDARD CHARTERED PRIVATE BANK

Standard Chartered, the UK-listed bank, four years ago made a clear commitment to the wealth management market. It has since grown organically and through its acquisition of the private banking business of American Express. The firm has an Asian heritage and a private banking presence in eight out of the nine fastest-growing private banking markets in the world, where it has a long-standing, well-known brand.

"Our first branches were in India and China. We are the oldest foreign bank in China and the largest foreign bank in India. As a result we have a deeper local insight than global brands, and more international capabilities than the local ones," said Shayne Nelson, CEO and global head, The Standard Chartered Private Bank.

The bank has a presence in markets such as Taiwan, Singapore, China, Hong Kong, India, South Korea, Indonesia, Dubai and Abu Dhabi, as well as London, Geneva, the Channel Islands and Lebanon, and in Miami and Uruguay in the Americas. It has announced an ambitious hiring programme, stating its objective to hire an additional 100 relationship managers during 2010 - a substantial addition to its existing roster of 400.

The bank describes its approach to recruitment as balanced as it draws from a number of diverse channels to meet its recruitment needs, including hiring experienced relationship managers and growing staff from within the Standard Chartered group.

Whereas experienced relationship managers can bring a book and industry knowledge that can be shared with employees acquired from other channels, they are also grown internally, most often from client service positions, its Priority Bank and Commercial Banking arms.

Whilst those from client service bring a good knowledge of the company, processes and procedures and have had the time to build both their knowledge and a potential client base, relationship managers joining from the Priority Bank bring a thorough company knowledge and, normally, a few excellent clients with whom they have developed strong relationships, helping to develop a flow of referred clients. Finally, relationship managers joining from its Commercial Bank tend to have excellent structuring and relationship-building skills. "What is essential is to have a balance from all sources," said Jacqui Brabazon.

The firm is extremely mindful of that fact that just because an individual has been successful in one organisation, this does not necessarily mean that they will be successful in another. It therefore has very rigorous processes that try to match potential recruits against a set of criteria that it believes are indicators for success at The Standard Chartered Private Bank. "Putting effort into recruiting relationship managers who will be successful benefits all parties: relationship managers, the organisation and, most of all, the clients," said Ms Brabazon.

Although lateral hiring has a place if it is undertaken in a balanced way, the firm notes that what is important in lateral hires is that the training and support is appropriate and that the individual has some core skills on which they can draw. "Clients expect relationship managers to have strong advisory and investment skills so there has to be an aptitude towards those areas," said Ms Brabazon. "We have found that commercial bankers and others from within the Standard Chartered group can work well."

The Standard Chartered Private Bank has developed its Private Bank Academy to ensure that all of its advisors meet high minimum standards. The Academy lays out the training that relationship managers need to undertake and at what stage. The initial orientation means that relationship managers are familiar with products, services, processes and procedures before they contact clients. Programmes have tests associated with them so that the firm can ensure that clients receive advice from appropriately trained and qualified staff.

"A prospective client also wants to be confident that their relationship manager is professionally trained and highly-skilled because they are part of Standard Chartered," Ms Brabazon concludes.

The consensus in the industry is that Standard Chartered has built its private banking business intelligently and managed the merger with American Express well. "In becoming more of a private bank, changing their approach, they have successfully hired some very good senior people from their main rivals," said one headhunter. ■

Recruitment

The recruitment of experienced private bankers from other firms - both individuals and teams - continues to be the most popular way to bolster front-office capacity, however it does nothing to solve the issue of a shortage of talent in the industry.

Different recruitment models

Whilst some firms continue only to focus on recruiting experienced bankers from their rivals, others have invested in large and comprehensive training programmes to address the dearth of talent in some areas of the industry.

Those firms that are aiming to recruit on a large scale face a conundrum as to how to do so effectively when there is not currently the supply to meet demand.

"Firms that know the sector well know that quality is hard to come by," said Rhian-Anwen Hamill from RAH Partners. "For those firms that need to hire quantity, the challenge is how to do so in a quality way."

Michael Maslinksi believes that the process of converting the current stock of relationship managers from what they are now into what they claim to be may take years.

"Smaller organisations are more adaptable and can change their culture faster," he said. "Big organisations are like big ships and can be a challenge to turn around. They are often beset by entrenched views within the organisation which can restrict manoeuvrability."

One solution is to mix experienced bankers with bankers from other parts of the business. Ideally, an organisation needs to have various pipelines and a balanced approach to recruitment and with this in place resolving the quality issue has a chance of success if given time.

"The phase of an organisation's development will also influence their recruitment practices - for example, a new private bank trying to establish itself will not be able to afford to recruit a lot of trainees who will not be immediately productive," said Ms Brabazon of The Standard Chartered Private Bank.

Poaching

Poaching from competitors remains the primary way that firms will prefer to recruit for the next two years, with hiring graduates with wealth management qualifications the second most preferred source of new talent, according to research by PwC.

The recruitment of experienced private bankers from other firms - both individuals and teams - continues to be the most popular way to bolster front-office capacity, however it does nothing to solve the issue of a shortage of talent in the industry.

However, the ends possibly justify the means as, according to PwC, wealth managers with the best performance poach relationship managers twice as much as the average.

Training

A focus on training in the wealth management industry is regarded as a necessity in most quarters, although it is accepted as a long-term rather than an immediate solution. Although trainee wealth managers may not have the experience, network or assets of more experienced colleagues, training is vital for the sustainability of the industry. Continued cannibalisation of talent and assets is viewed by many as a recipe for disaster and investment in the next generation of wealth managers a must.

Hiring from within firms remained strong during 2009, according to Graham Harvey, director at Scorpio Partnership. "In home markets, we see vertical hiring as a tactical play by universal banks. So, for example, high-end premier bankers are moving up to private banking positions," he said.

However, whilst before the credit crisis firms were increasingly recruiting from other banking disciplines and the recruitment of new graduates was also becoming increasingly common, some of these initiatives have fallen victim to cost-cutting. It tends to be larger firms that run these large-scale training schemes as smaller firms can rarely justify the set-up costs entailed.

"A big training regime may reap benefits in 5-10 years, but I can't see how it increases revenues for the major league players," said recruiter Piers Thynne.

According to Ms Hamill from RAH Partners, patience is vital in wealth management. "Clients take a long time to win and the industry moves at a different pace to the institutional world, so you have to be patient. The same is true in recruiting," she said.

The benchmark for training in the industry is often cited as The UBS Business University's Wealth Management Campus in Singapore.

"Whilst other firms have internal training, UBS have industrialised it and used it as a part of its global standards and marketing and branding effort," Scorpio has said in its research. "They have used it as part of their institutional framing and drawn on it to attract graduates, lateral hires and even bankers looking to build their skill set."

CASE STUDY: THE UBS BUSINESS UNIVERSITY WEALTH MANAGEMENT CAMPUS

UBS opened its Business University Wealth Management Campus for the Asia Pacific region in Singapore in April 2007, the first outside Switzerland, in response to the increasing demand for UBS's wealth management services in Asia.

When interviewed for this report, Curdin Duschletta, head of the UBS Business University, APAC, said that Asia Pacific is the fastest growing region for UBS. "Over the past quarter, we have hired and will continue to hire experienced talents across the businesses in the region, he said.

The UBS Business University, based at the Command House in Singapore, is a "learning house" providing training both for employees new to the wealth management and financial services industries, and ongoing training and professional development for existing UBS employees.

UBS says it has always recognised the central importance of the training and talent development of new and existing employees. Since its launch, the campus in Singapore has delivered about 24,000 training days and approximately 2,000 training events.

In Singapore, UBS has increased its graduate intake by about 60 per cent this year compared to last year, reflecting the market recovery and to meet its evolving business needs. "We expect graduate recruitment levels to remain closely aligned to the prevailing market conditions over the coming years. We continue to build on the strength of our relationships with key university partners and our commitment to campus recruitment," said Mr Duschletta.

The centre is also a hub for wealth management research and thought leadership in new initiatives, such as the development of philanthropy in the Asia Pacific region.

UBS has accreditation from the Institute of Banking and Finance as a provider of both financial training and assessment services in wealth management and adopts the Singapore Institute of Banking and Finance's Financial Industry Competency Standards (FICS), which were established in 2005 after extensive research into financial industry standards in London, Hong Kong, the US and Australia. UBS has received accreditation as a financial training and assessment service provider in for the roles of assistant relationship managers, relationship managers, team heads and senior line managers.

The UBS Business University wealth management curricula are carefully designed to train, develop and certify employees and members of the UBS wealth management community to high standards across leadership and management, risk management, legal and compliance issues, and the technical areas of banking and finance, as well as advisory and sales skills.

It also offers a range of client education programmes that have been tailored specifically to meet the needs of UBS clients, and these are continuously enhanced.

In its efforts to build a pipeline of talent, UBS also recognises that now, more than ever, the industry requires experienced private bankers.

"Wealth management has changed profoundly in the wake of the global financial crisis. The industry is facing new capital requirements, increasingly stringent regulations and, at the same time, there is an increasing demand for client advisors to demonstrate a higher degree of technical and market competence," said Mr Duschletta. "The financial crisis has significantly enhanced the value of those highly-qualified and seasoned bankers who have weathered market cycles, and who are best placed to help mitigate risk and advise on how best to capitalise on the new investment opportunities. It takes time to convert people from other, or similar, industries into private bankers, complemented by continuous training."

UBS says that to achieve a balance between the demand for and the supply of high-quality private bankers in Asia, the industry will need to focus on better training and career paths, the right ingredients to attract and retain foreign private banking talent and take steps to increase the retention of existing private bankers in the industry.

Totting up the requirements of those firms that have made announcements about hiring in Asia recently - including UBS, Coutts, EFG and Credit Suisse - the industry is looking for in excess of 1,000 front line staff in the region, which either constitutes a lot of churn or bringing in staff from overseas.

"There are not a 1,000 free bankers waiting for an offer," said Graham Harvey from Scorpio. "Whilst UBS's training programme is the right thing to do for the industry, it is also the right thing strategically for the firm. The talent pool in Singapore is shallow and if it wants to recruit the 400 client advisors in Asia, increasing its 1,000-strong team by 40 per cent, it is vital that it provides training as well as recruiting from other firms."

CASE STUDY: SINGAPORE AND THE SINGAPORE MANAGEMENT UNIVERSITY

Singapore recognises that it is a knowledge economy and its economic success rests on a constant flow of talent. The Monetary Authority of Singapore is therefore extremely supportive of vocational education initiatives.

The city-state's highly-educated talent pool, robust financial services sector and an open regulatory environment has made it a target for many global wealth management firms.

Professor Francis Koh, director of the highly regarded MSc in Wealth Management Programme at the Singapore Management University (SMU), says that over the past few months he has seen banks hiring in the region again, which suggests the war for talent, which was spoken about so much before the financial crisis, is likely to become an issue again. "The talent pool is not very deep in Singapore because the industry does not have the same amount of history as it has in Europe," he observes. "As a result, we need to continuously emphasise training and development to create a pipeline of talent going into the coming months. There are two main areas private banks are looking to upgrade their relationship managers' skill sets at the moment. One is relationship-building skills with clients and the other is short, concentrated sessions on products."

Developed for those who have long-term interests in wealth management as a profession, the MSc in Wealth Management was launched by the SMU in 2004 in collaboration with the Wealth Management Institute (WMI) and Swiss Finance Institute (SFI). In 2009 Yale University was added as a new academic partner.

Professor Koh describes wealth management as both an art and science. "It is about managing investment returns and risks for both individuals and institutional clients," he said. The MSc programme covers the whole value chain of processes, products and services related to wealth management from a practical perspective, and participants learn about both asset management and investment advisory. The programme is recognised as a graduate programme associated with the CFA Institute. Designed collectively by both academic professors and industry professionals - including private bankers, asset managers, investment analysts and consultants - the curriculum is regularly reviewed to reflect industry developments and aims for a balance between theory and practice.

Candidates are carefully selected and undertake a wide variety of activities including seminars, assignments, projects, field trips, industry talks, case studies and interactions with industry professionals. The overseas segments include one week at the Swiss Finance Institute in Switzerland and another week at Yale University in the US. Participants also have the opportunity to interact with wealth management professionals from three continents: Asia, Europe and the US.

"There is an ever-growing need for professional education and training programmes to enhance the level of knowledge and professional services in wealth management, especially in the Asia Pacific region. The MSc in Wealth Management programme has been developed to cater to this need," said Professor Koh.

Graduate recruitment

It is frequently observed that, until recently, wealth management was regarded as a backwater compared to other areas of finance when it came to career aspirations. It has largely failed to set out the case for graduates to opt for a career in private banking and has long struggled to entice talent away from the more lucrative positions with investment banks.

"It is relatively recently that wealth management has been seen as a career move for anyone," agreed Graham Harvey from Scorpio.

However, it has started to attract latent talent. "This is raising the bar and leading to a fundamental change in professionalism with regards people, products and responsibilities," said consultant Bruce Weatherill.

Although some firms closed their graduate recruitment programmes due to budgetary constraints and cost-cutting during the credit crisis, others bucked the trend. In September 2008, just as the worst of the credit crisis hit, Credit Suisse announced plans to recruit 60 MBA graduates into its wealth management business in 2009, double the size of its global intake of recruits in the previous year.

CASE STUDY: THE BARCLAYS WEALTH CAMPUS RECRUITMENT PROGRAMME

In September 2009, Barclays Wealth announced it was looking to take on 120 graduates for its 2009 private banking graduate programme, an approximate doubling of the number recruited in the previous year, and also a significant increase on 2007, when it added some 90 graduates and interns.

Barclays Wealth describes the scheme as "market-leading in the wealth management sector" and believes that, over time, it will provide the firm with an exceptionally strong supply of highly-skilled investment advisors in each of key markets around the world. In five years from now, the firm anticipates hiring over 250 new private banking graduates each year globally.

Barclays Wealth's graduate recruitment programme runs over three years and enables candidates to discover the range of professional opportunities at the firm, including client handling and advisory skills, and an international rotation, as well as all the necessary support to achieve industry qualifications, such as that of Chartered Financial Analyst (CFA).

Since the programme's inception in 2006, Barclays Wealth has seen a fivefold increase in applications and expects this to double again in 2010.

"The wealth management industry faces a talent shortage and one of the ways in which we are looking to resolve this is from the bottom up," said the firm's global head of human resources, Phil Smith. "At a time when some companies are closing their graduate training schemes, we remain committed to offering bright and motivated candidates from across the globe the opportunity to join the Barclays Wealth Graduate Programme. We believe that it is essential to continue investing today to transform the next generation of high performers into true fiduciary investment advisors, who will help us achieve our ambitious plans for the future."

CASE STUDY: BANK OF AMERICA MERRILL LYNCH

In February 2010, the *Financial Times* ran an article revealing that the world's largest wealth manager, Bank of America Merrill Lynch, intended to bolster its roster of relationship managers by training junior brokers rather than trying to entice senior recruits from other firms in a move to suppress costs.

"The bulk of our investments in our business are in capabilities for clients and existing advisors. In addition, we look to add quality advisors and bankers, in particular through our training programme," a Merrill Lynch spokesperson told the *FT*. Merrill Lynch had about 15,000 financial advisors at the end of the fourth quarter of 2009, and about $1.27 trillion in assets under management.

The story relates specifically to Bank of America Merrill Lynch's US business. In EMEA it has continued to make senior hires, including Ritesh Rihani as head of alternatives, Bill O'Neill as CIO and Patrick Ramsey as the new CEO of Merrill Lynch Wealth Management's Swiss Bank, as well as developing talent from within through training.

There is a school of thought that novice private bankers are using the larger banks' graduate programmes as training grounds where they can "cut their teeth", gain knowledge and build up contacts in a relatively sheltered environment before heading off to a more highly-geared, pure play private bank for a big salary hike. However, proponents of such training courses argue that home-grown talent tends to be considerably more loyal. This is particularly important as the cost of recruitment can be very high and, without such programmes, the industry would otherwise be cannibalising an ever-decreasing pool of talent.

Training schemes tend to be offered by larger firms that have the financial resources to offer a comprehensive training programme. This can attract potential candidates who want to hone their wealth management skills and who have perhaps found the infrastructure and support to do this lacking at smaller firms.

Lateral hiring

Lateral hiring, or bringing in relationship managers from other industries, is something that has long been a subject for discussion in wealth management. When the war for talent in the industry was at its peak, lateral hires were often mooted as the ultimate solution, with investment bankers perhaps the most likely candidates to make the transition, particularly given the increasing sophistication of the products available. Other roles with potentially transferable skills include sales and marketing specialists, with solicitors, ex-army personnel and sportspeople also having been known to make the transition and flourish.

However, for investment bankers more used to a high-pressure sales-orientated culture, adapting to the long-term and client-focused private banking environment can often be a tall order.

During the credit crisis, private bankers suddenly found themselves increasingly competing with investment bankers for roles. However, those investment bankers who suddenly developed a lifelong desire to be a private banker were largely met with scepticism by wealth management firms due to their notoriety for only making the switch as a short-term option whilst investment banking is in the doldrums.

One recruiter said that this was the third or fourth time investment bankers have moved into the private banking industry in a downturn, only to return to investment banking when the boom times returned a couple of years later.

The recruiter, who preferred not to be named, questioned why a firm would pay between £250,000 to £400,000 for an investment banker who is totally unproven, when they could get a private banker for less who might be able to move half their £200 million book within a year. However, he acknowledged that in smaller markets such as Russia, Turkey and Greece, along with some Scandinavian countries, a move from investment banking to private banking can be successful. The consensus is that, in general, investment bankers make the transition most successfully at larger firms that offer corporate advisory.

In reality, lateral hiring from other disciplines can be difficult to do, which puts some firms off. Successes have been patchy, whether external or internal hires from the investment banking arm. "In the good times, lateral hires feel easier, whereas when times are tough it's easier to have people with the relevant skills to help clients talk through their portfolio. Lateral hires haven't done it before and it's hard to teach," said Bill Yelverton of Scorpio Partnership.

Whilst the private banking industry is becoming an area that is increasingly attractive career-wise, rebuilding client trust is paramount at present and firms want to know that they are entrusting clients' money to someone who knows what they are doing.

Notwithstanding the possible pitfalls of lateral hiring, the issue remains that there are not enough good private bankers and the industry suffering from an ageing relationship manager profile. Wealth management needs to cast its net more widely and start to consider hiring relationship managers from different professional backgrounds to tackle this issue head-on.

However, there is currently an overriding sense that now is perhaps not the best time to be focusing on lateral hires "Its difficult to take on lateral hires at the same time as shrinking your cost base as you have to wait a period of time before they become an asset or indeed bring assets to the business. The lag is longer than most people think," said Graham Harvey from Scorpio Partnership.

A straw poll of headhunters seems to indicate that the credit crisis has poured cold water on the market for lateral hires, at least for the time being. The general consensus is that firms tend to only look at lateral hiring when there is a shortage of experienced candidates, something which is now perhaps less of an immediate issue than it has been in recent years.

According to recruiter Piers Thynne, there has been an increased focus on quality, with very little opportunity for lateral hires. "Seasoned bankers are increasingly relevant and there is less inclination by firms to say 'lets give this guy a shot as he's got a good idea'," he said.

"Firms are not looking for lateral hires from other disciplines that need lots of training to bring them on. They want candidates that can hit the ground running," Craig Rumball from Joslin Rowe concurred.

"Lateral hiring works better at a junior level where people in their late 20s and 30s find it easier to make the transition and firms can spend more time training them," according to Edward Blomfield-Smith from Abercromby Associates.

Proponents of lateral hiring cite the numerous sectors in which the acquisition and servicing of wealthy clients is done very well, from fashion and real estate to yacht broking and luxury holidays. Whilst some believe that ultimately people skills are the most important aspect in private banking and all the rest can be learned, there is a counter view that to be a really good private banker you need more than charisma alone.

"You've got to love markets and be interested in the price of this asset relevant to that," said Rhian-Anwen Hamill from RAH Partners. "I'm not saying that these people can't succeed - you need a lot of foot soldiers - but I think in the main you need a good background from a cross-asset class basis."

The Standard Chartered Private Bank did research into what prospective medical clients' perceptions were around the subject of lateral hires prior to launching its medics segment. One of the questions asked related to the type of advisor with whom they wanted to work. "It was loud and clear that they wanted a banker, not a medic who had been trained as a banker," said Jacqui Brabazon.

"People with an asset management background can work, but there is still a preference for private bankers as lateral hires don't always have the client handling skills as they have not dealt with clients," according to consultant Ian Woodhouse, who believes that Switzerland might see increased hiring of more people with tax skills, like lawyers and accountants, due to regulatory changes in the jurisdiction.

Daniel Aghdami from search firm DART says that his wealth management clients are increasingly open to considering professional candidates whose previous experience may not be entirely specific to the role they are looking to fill, instead seeing a breadth of experience as a benefit. However, these candidates must fulfil certain requirements and are expected to bring a fresh approach and thoughts to the table. "Firms are looking at leveraging, investing in and training resources from different parts of the business into wealth management, but largely this is still being done with their existing human capital and less from outside," he said.

Bruce Weatherill's view is that there are many areas that may suit lateral hiring including professional marketers, accountants and lawyers, event organisers and even British Airways staff. "They are all very professional in client service," he said, suggesting that lateral hiring may see a renaissance as new regulatory measures mean that increasingly the roles of relationship management and investment management are split.

Many firms believe they will get more immediate results from someone with an existing client base, but others contend that the fast reducing portability in client assets is making it just as feasible to train new recruits from outside the industry. In any event, in taking a new assessment of the recruitment universe, industry standards, accreditation and training are crucial.

In addition to hiring experienced bankers from other firms, Barclays Wealth is one firm that is also committed to building talent in the industry. It continues to invest increasingly heavily in both its campus recruitment programme and its lateral hiring programme EMBARK, both of which it says are essential to its long-term future and will reap benefits for both the firm and the wider industry.

"The balance of focus we have towards lateral and graduate hiring remains absolutely unchanged," said Barclays Wealth's Phil Smith. "We will recruit and absorb both to our maximum capacity. Those wealth managers who lead the market in building talent over the long term will win in this industry."

CASE STUDY: BARCLAYS WEALTH'S EMBARK PROGRAMME

Barclays Wealth has an aggressive hiring programme in place and in early 2010 announced that it would increase its number of private bankers by 100 per cent over the next five years, with an investment of more than £100 million.

The firm appreciates that the talent pool for high-calibre wealth management staff is shallow in some areas and has for several years looked at innovative ways to attract the best candidates. Its lateral hiring programme, EMBARK, was launched over three years ago and takes capable talent with highly transferable skills and provides them with the necessary skill set, overlaying industry knowledge and expertise.

EMBARK, which is regarded in the industry as a significant success, is used by the firm as a "point solution" in selected markets where the industry talent pool is not sufficiently deep or lacks the quality the firm requires.

Seventy-five people have been brought through the EMBARK programme in the last couple of years in the UK, with a number of other lateral hires across the firm's global HNW business.

The credit crisis does not seem to have impacted Barclays Wealth's commitment to recruit lateral candidates alongside more experienced, direct hires. Since the advent of the credit crisis in late 2008 it has continued to hire via the EMBARK programme, with an intake for each year, and in 2010 the firm decided to add an additional intake given the financial success of its earlier recruits.

Whilst there is no definitive size, shape or particular fit of the ideal candidate, Barclays Wealth aims to ensure that its relationship management workforce reflects the diversity of its clients, and successes have come from all sorts of backgrounds. "Inevitably those candidates with a previous financial services or a sales bias tend to enjoy a more accelerated development and success against the curve," said Mr Smith. "Ultimately it is those who have an intuitive capability to provide advisory services and build long-term, experienced-based relationships - these facets are far from unique to financial services."

The firm says that for every EMBARK place it has several hundred applications, and its offer rate is well below five per cent of all original applications.

"We see this as much like training an airline pilot - we invest heavily for a period of time to build highly-skilled people, and we want to make sure we get an ROI on the investment," said Mr Smith. "The real key is weeding out those who are not really sure they want a long-term career in private banking."

The initial training phase of EMBARK has previously been described by the firms as very intense, like a mini MBA with a solid, dawn-to-dusk teaching regime over six weeks, including conventional teaching, distance learning, presentations and so on.

The first two weeks cover the economic backdrop and the financial services world to bring participants to a common level of understanding and much of the Investment Management Certificate content is covered. The next two weeks are based around products and how they are used, risk-based asset allocation, and long-short versus long-only strategies. As well as theory, there are practical exercises, tests and real case studies that aim to build live skills. Every day, there is a mock research analyst meeting at which each participant can be called on at any time to present to ensure that candidates are kept on their toes and up-to-date with financial markets, as clients would expect them to be in the real world.

The final week is about clients and looks at taxation, law in different jurisdictions, trusts, asset allocation and solution-forming with a client. Each Friday throughout the programme, EMBARK participants go out with a sponsor banker and this is where individuals start to build relationships.

The course concludes with an intense assessment day and the firm believes that after the intensive training programme, graduates are extremely well-equipped for a live situation.

It has refined the selection process to contain refreshed interview competencies as well as revised role play and presentation exercises. "Like any good firm we are continually evolving and sharpening both our assessments but also our training and 'in the role' coaching as we learn more about what brings EMBARK candidates up the curve quickest," said Mr Smith.

Individuals that graduate from EMBARK will only "go live" when the firm considers that they are ready and skilled enough to understand clients' needs, goals and aspirations, which takes time and will vary depending on the individual. "When they are ready, EMBARK graduates might start to manage a portfolio of clients with relatively straightforward needs, closely monitored by a senior banker. Others are skilled enough to immediately build their own book," said Mr Smith.

Barclays Wealth acknowledges that it is fortunate to have the scale to invest in a scheme like EMBARK. Economically, Barclays says that it has been a major success story, with the average lateral hire providing a positive contribution to its P&L at a rapid rate. "Culturally it has been a power agent for helping our business adapt to both building our own talent and indeed utilising best practices in terms of client experience and business development from other sectors," Mr Smith said, adding that whilst not all recruits have worked out individually, collectively EMBARK continues to be a great investment for the firm.

In addressing the long-term scarcity of talent, the firm has said that the ideal is to build rather than buy to create the shape of the business it wants. It sees recruitment as an inverted triangle where in time, the majority of the front-office staff it recruits will be graduates, supported with a significant number of EMBARK recruits, and with experienced bankers being the smallest proportion of recruits.

With the build still in its infancy in year three, the firm says it would be too early to suggest that the journey is complete given EMBARK's commitment to long-term candidate development, support and progression. "However, the first wave intake are already demonstrating a meaningful contribution to the organic structure and a number presently enjoy significant leadership roles as well as revenue returns," said Mr Smith.

Qualifications in wealth management

In the UK and around the world, qualifications have not been a top priority for hiring someone in the wealth management industry and, importantly, there is no recognised global wealth management qualification. Firms have tended to value experience and "on-the-job" training or more senior private bankers taking more junior recruits under their wing, commonly known as "grandfathering", over qualifications.

"Wealth management hasn't really adopted qualifications as a global standard in the same way as lawyers and accountants and the medical profession have, which is interesting as all of which are targeting the same wealthy client base," according to Graham Harvey from Scorpio. "If you have an accountant that is ACA qualified you know what you are getting. The same is not true in wealth management."

Anecdotal evidence from headhunters and consultants in the industry indicate that following the financial crisis and due to an increased focus on advisory relationships driven by initiatives such as the Retail Distribution Review (RDR) in the UK, qualifications in wealth management are becoming of increasing importance.

Aside from regulatory imperatives, without proper up-to-date training and qualifications, there is a risk those individuals that are nurturing today's private bankers might be instilling bad habits and outmoded ideas. One oft-cited issue with wealth management qualifications is that practitioners have to cover such a wide spectrum of activity. Often, a private banker does to some degree have to be a "jack-of-all-trades", meaning that which qualifications are required is not always straightforward. However, whilst an individual cannot be qualified as an expert in everything, a good private banker will be mindful of where their confidence or qualifications end and know when to hand over to an expert in a particular area.

The Retail Distribution Review

The UK Financial Services Authority's RDR proposals are part of the industry's drive to restore confidence in the market by setting new standards of competence and professionalism. The RDR will require that a higher and consistent standard is achieved by all retail investment advisors providing advice on packaged products, securities and derivatives. This involves raising the minimum level of mandatory qualification for those involved in selling financial services to members of the public from Level 3 to Level 4. This is an important change as many existing Appropriate Examinations are currently Level 3 in the UK qualification structure.

Whilst a move in the right direction, there are those that believe that the standard set by the RDR in the UK does not go far enough.

"There is a increased interest in qualifications both because in the industry there is heightened focus on developing talent and because the RDR is driving up standards," said Sarah Thwaites, director of Skills Development at the FSSC (Financial Services Skills Council), an independent organisation that has produced the standards that underpin the

RDR qualifications. "The underlying standards have been reviewed. For example, ethics features more strongly, there will be new subject areas and some existing subject areas will be covered at a new level."

Peter Watkins, director of education, CFA Society of the UK, also sees an increasing focus on qualifications in the wealth management industry in the UK. "There have been listed qualification requirements in place for many years but many practitioners have opted for higher level qualification than the listed minimum. The Retail Distribution Review has consolidated this," he said.

Ms Thwaites makes the point that although some advisors will have qualifications that meet or exceed the new benchmark already, others will not. For those already in the industry holding existing qualifications at Level 4 or Level 6 that appear on the FSA's transitional list, this may involve a "gap fill" exercise through structured CPD in order to meet the new standards. "These individuals need to come up to the new standards by the end of 2012 or else stop advising," she said.

Whilst a move in the right direction, there are those that believe that the standard set by the RDR in the UK does not go far enough.

"The RDR will, once implemented in 2012, require a Level 4 standard of training, but there are many in the industry who think that this is not sufficient and some are ensuring that their advisors are qualified to a higher level than this," said consultant Bruce Weatherill. "Everyone needs to jump this hurdle by 2012 and it is not possible to get there by 'grandfathering'."

CASE STUDY: CISI WEALTH MANAGEMENT DIPLOMA

The UK's Chartered Institute for Securities and Investments launched a flagship wealth management qualification in September 2007, to create a structured pathway for people in wealth management in close co-operation with a panel of practitioners. The aim of the CISI Masters in Wealth Management is to offer wealth managers - including discretionary portfolio managers, private bankers, IFAs and others dealing with HNW clients - a specialist post-graduate qualification in servicing wealthy individuals. At the time of launch, the CISI told *WealthBriefing* that what differentiated the qualification from other investment qualifications was its breadth and large practical element.

Targeted at individuals who already have a benchmark exam such as the Certificate in Investment Management, the Certificate in Securities or experience in the industry, the qualification has three modules: the first covering financial markets, the second portfolio construction and taxation and trusts, and the third applied wealth management. It aims to combine a theoretical approach with practical wealth management solutions and with 40 per cent of the overall study time allocated to working with client case studies, graduates should be ready to hit the ground running. Study is via accredited training providers or by self-study and it is recommended one module is carried out every six months. The first group of candidates sat the first two exams in June 2008.

Despite taking around 15-18 months to complete and being a high level and discretionary qualification, the CISI says that the number of entries has held up extremely well despite the difficult market conditions of the last two years. "The FSA and FSSC have set the minimum benchmark level of qualification for advisors at Level 4 whereas the Diploma sits at level 6/7 so it is a leading-edge, aspirational qualification," said the CISI's managing director, Ruth Martin. In general, the CISI has seen a greater interest in higher-level qualifications which it says increasingly matter for firms which want to establish a competitive edge. "We have caught a rising tide as firms want their advisors to gain serious, high-level qualifications to make sure they are equipped to do the job. A significant number of leading firms that might have only taken the benchmark exam previously are now taking the CISI Masters. It is the pinnacle of professionalism in wealth management and it is practitioners who drive this," she said.

The CISI says that the quality of candidates has been high and take-up is particularly impressive in the context of the qualification being discretionary. The pass rate currently stands at 60 per cent (but is expected to go up). Sixty-six people now have the full CISI Masters in Wealth Management.

"The prognosis for the CISI Masters is better than it has ever been. There are new graduates coming into the market; despite recruitment into the industry being low, the numbers taking the exam are up," said Ms Martin.

The CISI Masters has recently been recognised by the FSA as a transitional qualification as part of the RDR. In addition its Certificate in Private Client Investment Advice & Management qualification will enable existing FSA-qualified advisors to meet the "step change" requirement of the higher benchmark set by the RDR.

International qualifications

When *WealthBriefing* asked in a June 2007 poll whether there should there be an internationally recognised private banking qualification, three-quarters of respondents said that the industry would benefit, with just nine per cent believing at the time that qualifications are not necessary and a further 15 per cent saying that current qualifications are sufficient.

Although an internationally recognised private banking qualification may be desirable, industry experts acknowledge that the practicalities of coming up with something valid for different jurisdictions is challenging. Certain skills and technical requirements might be the same the world over, but local fiscal, tax and regulatory regimes vary hugely, meaning that an international qualification which encompasses the local tax situation is vital.

In terms of exporting qualifications from the UK, the CISI Masters in Wealth Management was developed with the intention of being portable and to ensure that an academic institute in fast-growing areas of wealth management could take the basic qualification and easily substitute the elements relating to products, tax or regulation which differ from country to country.

It is such an international market place that firms often want to ensure that advisors have UK recognised qualifications as, from a commercial perspective, this makes sense. There is an Appropriate Examination or "ApEx" list that individuals from overseas should refer to if they want to provide financial advice in the UK.

There are some exemptions for individuals with recent overseas experience. The FSA states that they do not have to pass the technical module of an appropriate examination if they have:

- three years up-to-date, relevant experience gained overseas;
- not previously been subject to the exam requirements for the activity in question; and
- are not advising retail clients on packaged products, acting as a broker fund advisor, advising on syndicate participation at Lloyd's or acting as a pension transfer specialist.

An individual who satisfies these conditions will only have to pass the relevant regulatory module of an appropriate examination.

The Appropriate Examination list is currently held by the FSSC, but in April 2010 the FSA announced that it is carrying out a consultation on whether, going forward, this list should become part of its Training and Competence Sourcebook. It is understood that one of the reasons for this consultation is as part of an increased effort to recognise international qualifications, particularly across Europe.

In terms of exporting qualifications from the UK, the CISI Masters in Wealth Management was developed with the intention of being portable and to ensure that an academic institute in fast-growing areas of wealth management could take the basic qualification and easily substitute the elements relating to products, tax or regulation which differ from country to country.

"We have been marketing the CISI Masters as an international qualification since December 2009, and we are in exploratory talks in India," said Ruth Martin. "The way that it is structured means that in the second paper of three there is the opportunity to insert questions on the local tax regime." The CISI is also exploring opportunities in Hong Kong. In India and Hong Kong, the overall level of education is very high and students there are committed and winning international wealth management awards, according to Ms Martin.

The CISI is also in preliminary discussions to introduce the qualification in the Middle East and Spain, where the entry-level international certificate in wealth management is already popular. "Here we are concentrating on 'bedding in' the basic qualifications which, in time, will provide a good platform for the successful introduction of the Masters qualification," said Ms Martin. The CISI also has an office in Singapore and whilst it has not yet sought a reciprocal arrangement with the SUM, it views Singapore as a very effective and apposite market for its Masters programme.

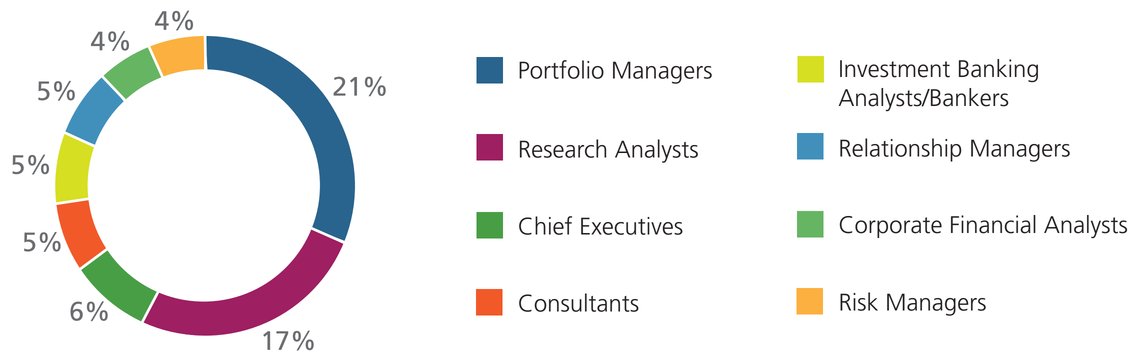
CASE STUDY: CHARTERED FINANCIAL ANALYST (CFA)

The CFA is graduate level programme that is widely recognised as the ultimate global investment qualification. Currently there are nearly 100,000 members of the CFA Institute across the world, 88,300 of which are charterholders, some 30 per cent of which work in private wealth management roles. Taking the CFA UK's Investment Management Certificate (IMC) as a foundation qualification followed by CFA Level I has become the established route for staff in many of the leading wealth management companies as part of a 3-4 year programme for graduate recruits. Many then go on to complete the CFA Program and gain the CFA charter (at level 7, or "Masters level" in the UK system).

Application to RDR

The IMC, available daily by computer delivered testing and taking around 150 study hours to complete, is the established starter qualification for professionals in both retail and institutional investment roles. It is a Level 3

Occupational Profile of Members*



This occupation distribution is based on information from 15,563 CFA Institute members as of November 2008. The margin of error is ±0.07%.

qualification and a "certificate" rather than a "diploma". It currently meets many of the RDR Core Standards but not all. The CFA in the UK therefore plans to develop the qualification and to relaunch it in September 2010. The first stage of the CFA Program (CFA Level I) is recognised as Level 5 in difficulty and therefore exceeds the level requirements under RDR, giving in-depth coverage of the RDR Specialist Standards on securities and derivatives. The CFA Level I in combination the new IMC (from September 2010) will therefore meet the new RDR standards.

Take-up

The CFA Institute has experienced an increase of 82 per cent in global registrations and an increase of 100 per cent in UK registrations over the past five years. There are 13,081 candidates registered for the CFA exam in the UK for 2010 and 202,093 candidates globally.

The CFA UK says that in addition to developing a candidate's investment management and portfolio management skills, the CFA Program prepares wealth managers to interact with clients and develop customised solutions.

"For example, the CFA Program develops skills in psychological profiling, situational profiling, and behavioural finance. It also develops an understanding of life cycle investing, human capital, insurance, tax management strategies, and estate planning strategies," according to Peter Watkins, director of education at the CFA Society of the UK.

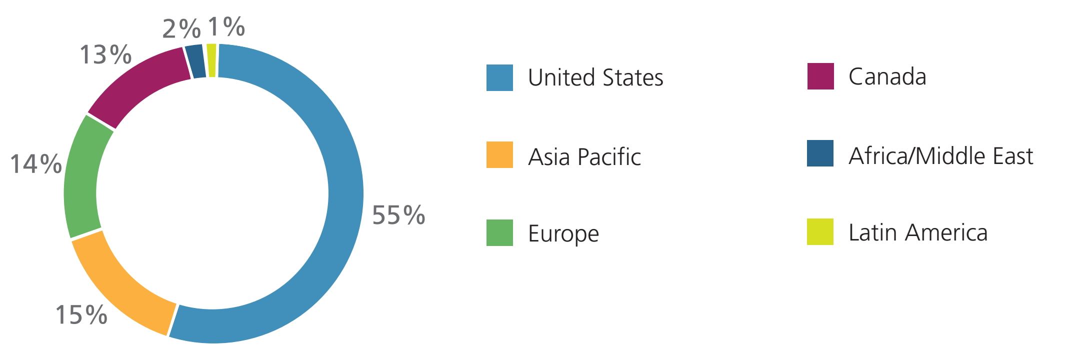
International application

The Chartered Financial Analyst qualification is regarded by many in the wealth management industry as the "gold standard" of international professional credentials.

"In order to ensure fair, global consistency both in administering the exam questions and in grading candidate responses, we offer the exams in only one language - English," said Mr Watkins. "In this way the designation is internationally applicable as it is administered in one common language and employers know that a charterholder holds a 'global passport'. There is only one CFA Program to ensure each charterholder has learned the same curriculum - it is not adapted for different markets although the curriculum is developed by practitioners from around the world to reflect global investment practice."

Many regard the qualification as internationally appropriate

Geographic Profile of Members



and having everything bar the regulatory angle, which can be topped up depending on which jurisdiction an advisor is working in.

The CFA Institute says that global models can be applied in many localities. For example, in wealth management, the CFA Program develops global models of tax-efficient investing. Although tax rates and specific tax rules vary from country to country, the global framework applied allows charterholders to apply knowledge across borders. "We take a similar approach with estate planning. This approach is particularly valuable for HNW families that have a global or international footprint," said Mr Watkins.

CASE STUDY: LAWINCONTEXT

International law firm Baker & McKenzie set up LawInContext, an interactive knowledge and training venture which provides a number of services for financial institutions and multinationals, including online and live wealth management training in 2007.

According to Philip Marcovici, chief executive of LawInContext, the interactive training venture of Baker & McKenzie has been a beneficiary of the growing recognition of the need for training as the wealth management industry makes the transition to an onshore private banking world. "Our goal is to provide private bankers and wealth managers with the tools they need to not only survive, but to thrive in this increasingly transparent world," said Mr Marcovici.

Rather than developing only soft skills, LawInContext is about understanding the needs of wealth owners, which are driven not just by generational issues, but increasingly by the tax and legal regimes of their home countries and of their countries of investment. Some of these areas were ignored when the focus was more on offshore business, and one of the main benefits of growing transparency is the heightened awareness among wealth owners of their need for sophisticated and holistic wealth planning.

Mr Marcovici has expressed astonishment in the past at the lack of recognised global educational institutions offering a full-time wealth management or private banking qualification, particularly in Switzerland, the world centre of private banking:

"Whilst the situation has improved in the UK due to the RDR, in Singapore and other regions, Switzerland is still a laggard," said Mr Marcovici. He attributes this to "legacy players" in Switzerland adopting a defensive posture and looking to the past rather than the future. "Too many expect the country to protect past practices rather than using training to develop knowledge in what is increasingly a knowledge intensive industry," he said.

Mr Marcovici believes that the current focus by many legacy players on Asia is due to their false belief that they can use the region to continue to focus on the offshore business they used to carry out in Switzerland. He sees an opportunity here for a focus on training and education. "What wealth managers really need to understand is how the differing legal, tax and political risk dynamics across Asia affect client needs," he said, adding that a "one-size-fits-all" approach for Asia is simply an old model that does not work.

The Association of International Wealth Management, a non-profit industry association serving wealth managers, portfolio managers, investment advisors, asset managers, and trust and estate practitioners worldwide, was set up in 2007 in Switzerland by Baker & McKenzie and awards The Certified International Wealth Manager Diploma. The qualification is designed to produce the highly-qualified specialists who are critical to supporting the growth in the private banking industry.

The CIWM diploma is currently offered in Switzerland, France and Germany, has recently launched in Luxembourg and is likely to be soon launched in the UK, according to Mr Marcovici. There is also interest from Singapore, Hong Kong and the US.

Ensuring the right fit

Employing the right candidate for a particular role is key. For senior positions, most firms use professional search firms to identify potential hires, followed by intensive interview processes and then obtaining personal and professional references.

Psychometric testing, which aims to measure knowledge, abilities, attitudes and personality traits, is used at either end of the spectrum - for entry level roles where there are lots of individuals applying to narrow down the field and also on the senior strategic business side.

However, before recruiting, firms need to establish what the metrics are for defining what constitutes a "good" private banker. In many industries, quality is established through 360-degree feedback which involves clients as well, however many firms in the wealth management industry have been slow to adopt a means of establishing a robust client feedback process. This makes it difficult to establish what clients are looking for from their advisor and, in turn, what sorts of individuals firms should be recruiting.

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Interview processes have become more stringent in the last couple of years, with more technical questions and more hiring managers involved. Typically, senior candidates might see four or five hiring managers.

However, for front-office hires, reputation, experience and performance tend to be held in higher regard than any more objective tests. For many firms looking to boost their presence in a region, particularly at an UHNW level, they may be looking to recruit only five or ten relationship managers, in which case, the head of the business can see all candidates and get to know them. However, for a graduate programme with 10,000 applicants, psychometric testing certainly has a place.

Barclays Wealth says that it spends a significant amount of time understanding the "DNA" of any candidate. "We have a highly developed framework which gives us a structured insight to their business skills, client skills, product and technical skills, and, as importantly, cultural fit to our organisation," according to Phil Smith. The firm uses a range of assessment techniques depending on the position and seniority of the role and whilst in many instances, it uses ability tests, it only very rarely uses psychometric tools or personality inventories.

According to Craig Rumball from Joslin Rowe, interview processes have become more stringent in the last couple of years, with more technical questions and more hiring managers involved. Typically, senior candidates might see four or five hiring managers.

Bruce Weatherill, industry consultant, concurs that the overall level and training of relationship managers has and will continue to improve with private banks putting candidates through more stringent evaluations and training, and being more skills-focused in their recruitment processes.

Whilst a firm can never be categorically sure that it is employing the right candidate, it is possible to minimise the risk of making a mistake by applying rigorous and consistent standards based on understanding the traits displayed by successful relationship managers in its own organisation. There are many different business models ranging from those that are entirely entrepreneurial and leave the relationship manager to act as an independent operator, very much akin to running their own company, to others that are much more structured and didactic. Of course, some relationship managers work better in one environment than the other.

"Developing that understanding allows you to tailor your recruitment, training, development and coaching activities appropriately. Recruitment is just the first step in a relationship manager's journey with an organisation. The other steps are equally important," according to Jacqui Brabazon from Standard Chartered. "What is important is to find people who will be successful in the context of Standard Chartered and who will live our values."

Finding talented staff that will succeed in a particular organisation is always a challenge, whatever the profession. Understanding that previous success in one institution is not necessarily a predictor of success in another, some firms have clearly defined what they are looking for in a relationship manager.

The Standard Chartered Private Bank has done work to identify what success looks like within the firm. Several years ago, the firm researched its top 10 per cent of relationship managers and benchmarked them against the average to establish what they looked like, what they were doing that was different to their peers and then mapped their skill sets and behaviours. This was established as the profile for success and to this day the firm recruits in line with these desirable characteristics.

"This enables us to be more structured, not just in helping us to recruit the right people but also in helping us to train, coach and develop them," said Ms Brabazon.

Other firms emphasise the balance of hunters and gatherers and draw on candidates to match different client groups.

KLEINWORT BENSON

Background

Segmentation is one of the methodologies that UK private bank Kleinwort Benson uses to understand its client base. Its approach to segmentation has thrown out traditional private wealth management industry segmentation based purely on assets and uses instead uses a "bottom up" approach including demographic, behavioural and psychographic analysis to gain a clearer picture of clients' wants, needs, behaviours and attitudes and an understanding of how all of these are affected by life cycle. By taking single client profiles and building on them through in-depth segmentation the firm is able to deliver highly bespoke solutions to clients.

Matching bankers to clients

According to PwC, Kleinwort Benson is one of the few firms that segments its staff and matches its bankers to the clients they are best equipped and qualified to deal with. Kleinwort Benson says that as well as its benefits to clients, its segmentation methodology allows the firm to more accurately match banker to client in terms of their compatibility on the basis of a range of factors on both sides, such as investment philosophy or preferred communication method.

Kleinwort Benson profiles staff from its Executive Committee down to assist with this process. This methodology is premised on the fact if the right banker is put with the right client so that both enjoy the interaction, it works well and the banker is more experienced and understanding of that client's needs.

Kleinwort Benson makes the point that segments will never take precedence over the individual and clients will be served by the best banker for them, regardless of segment. Segmentation is used to aid understanding, not to pigeonhole clients. The firm asserts that the way in which some providers have completely and rigidly restructured teams to cluster bankers into their segments inhibits the ability to put the right banker with the right client. Instead, it offers a complete and bespoke service responding to clients' highly individual profile.

For example, whilst specialists in serving entrepreneurs may have a huge wealth of knowledge on the wealth needs of entrepreneurs, an entrepreneurial client may actually be managed by a "non-entrepreneurs" expert as they, as two people, work together best. However, in this instance, the experts on entrepreneurs will advise that banker on the potential needs and wants of this type of client.

Kleinwort Benson believes that the feeling of uniqueness that clients want can be delivered through contact with the right advisor, which can be effected by understanding personal characteristics. Whereas some clients want only infrequent personal contact and might prefer email or webcasts, others may want to be telephoned regularly or have scheduled face-to-face meetings.

It aims to establish expertise in all areas that clients might come from, ranging from mature investors whose wealth tends to be family wealth accumulated over several generations, to high-flyers in the City or sports and entertainment industries whose wealth can sometimes be accumulated overnight, so that they have common ground and know what each client wants in terms of wealth solutions.

"Empathy is critical in the people business… people like people like them", Martin Heale, head of client proposition at Kleinwort Benson said. "A client who is an investment

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banker would probably interact well with a private banker who is keen to constantly explore new investment ideas and is a little more sanguine about risk, for example."

He adds that this matching process creates greater job satisfaction among bankers. In fact such is the power of this effect that Kleinwort Benson saw banker satisfaction improve by 30 per cent in the first year after client segmentation was introduced, along with a corresponding improvement in retention rates.

As well as making bankers more likely to stay with a firm, Mr Heale said segmentation can also make it easier and less time-consuming to recruit bankers. When recruiting bankers to serve a particular client group Kleinwort Benson can be very specific about the type of expertise and characteristics that it is looking for in candidates. It has also got its headhunters on board and they now immediately know what type of bankers the firm needs for each segment, so that when the firm says it needs someone for the "high-flyers" segment for example, recruiters understand the qualities required and send the firm high-quality, appropriate candidates.

By having desirable characteristics already set out in this way "search firms can send the right sort of candidate first time", Mr Heale said. ■

Retention

When PwC asked those relationship managers who had left a wealth management firm in the past two years for their top two reasons for leaving, the majority cited the need for a fresh challenge and a lack of career path, with remuneration ranked only a distant fourth.

What makes a private banker move firm?

Whilst there is no single driver that prompts a banker to move firm, there are a number of push and pull factors that tend to combine to precipitate a move.

In a poll of *WealthBriefing* subscribers carried out in May 2010, 83 per cent of respondents said working for a firm with the right ethos or culture was currently more important than remuneration for advisors seeking to move firm currently.

Better remuneration and the availability of a wider product range to be able to service their clients more effectively are often cited as the key inducements which prompt a move. Remuneration of course forms a part of the equation and currently firms have to look at long-term incentive programmes, ensure that they engender the right behaviours, and due to issues around bonuses, aim to have good equities and options.

However, when PwC asked those relationship managers who had left a wealth management firm in the past two years for their two top reasons for leaving, the majority cited the need for a fresh challenge and a lack of career path, with remuneration ranked only a distant fourth.

"Wealth managers need to ensure that they look after their talented CRMs now, building up levels of engagement to prevent an exodus of talent later. Even in a crisis, steps to engender a positive work environment and help increase loyalty to the organisation are critical," PwC said.

The Standard Chartered Private Bank believes that retention hinges on a number of factors over and above the hygiene factors that first need to be in place such as good products, good service, good systems and support, and good compensation.

"There are many different reasons why relationship managers move firms, ranging from purely fiscal drivers through to poor relationships within their firm," said Phil Smith of Barclays Wealth. "From our perspective we think about the positive side of the equation - what attracts bankers to a new platform."

Mr Smith divides relationship managers into traditional and "new generation" and believes that the former are looking for:

- the capabilities of the firm's platform and how that matches their clients' and prospects' anticipated needs.
- the ability to do business, be this access to the balance sheet, risk appetites and so on, in the market they serve.
- the quality of the brand, as both an enabler of business but also as a mark of quality and pride on their CV.
- the degree of autonomy offered by the organisation.
- an attractive financial offer, which whilst crucial, will not in itself attract a proven HNW banker to the organisation.

He believes that the new generation of relationship managers, whilst cognisant of the above, are also looking much harder at the culture of the organisation and its values, of how they will be developed and invested in and, crucially, how they will be led, both strategically and operationally.

Unless it is particularly substantial, increased remuneration is rarely the driving force behind a move. It does not make sense to move simply for a 10-20 per cent uplift in basic salary as the individual will probably find their bonus reduced for at least a couple of years as they rebuild a book of business, and this is coupled with the hassle of moving.

"The move has to make sense and a small pay increase rarely does," said Nick Hughes from the search firm Atkinson Stuart. "Most bankers will move for a more senior role or to a bank where they feel that they can offer an improved range of products to their clients or where they feel valued for the work that they do."

Key reasons for advisors leaving their previous firm

Reason for leaving	Percentage of respondents
Needing a fresh challenge	36%
Lack of career path	28%
Did not agree with corporate strategy	21%
Size/structure of remuneration package	19%
Unrealistic expectations/pressure to meet targets	16%

Source: PwC

Alex Rickard from Towry believes that over and above the traditional reasons that wealth advisors leave firms, such as remuneration and current activity in the industry, a lack of professional development at many firms and cultural drivers are also high on the list at the moment.

Daniel Aghdami from DART in Zurich suggests that the reasons a relationship manager might seek a change of employer include the fact that clients are no longer happy with the service level their current firm provides or anxious about the reputation and security of the firm. "They may feel that they have not been adequately compensated or recognised for their hard work over the last two hard years in wealth management, or require a fresh start to escape the politics and infrastructure changes that have affected their 'playing field'," he said.

"Relationship managers are looking for an environment within which they can tell the truth and put the client first," according to consultant Michael Maslinski. "Many of them feel embarrassed and let down by their firms."

Churning

According to PwC research, 47 per cent of client relationship managers stay with a firm for an average five years. "CRMs need to stay for significantly longer if they are to develop long-term client relationships, particularly at the higher levels of the wealth pyramid," noted the consultancy firm. "Similarly, as graduate recruitment becomes a more popular way of hiring CRMs, there is a greater need to build career paths that retain talent and build experience over the long term."

With many relationship managers moving firm on average every five years, demonstrating commitment to continuity and a relationship-based business to increasingly cynical clients is more and more difficult for firms.

The wealthy have always been multi-banked, with those whose wealth is in eight figures retaining on average at least five relationships with different wealth management firms. Wealthy individuals are now increasing the number of firms with which they do business as well as examining their financial relationships more closely than ever. Some in the industry observe that as a result of the crisis, clients have begun to question their private banking relationship, asking pertinent questions related to staff retention levels, in turn creating even more of an incentive for firms to encourage good relationship managers to stay.

Whilst it may be possible for relationship managers to make more money moving between two or three banks across a ten-year period than it would by staying put, there is trend towards less movement between firms in the industry. Whilst this is in part driven by a desire for longevity and safety, it is also with knowledge of the fact that clients know that when an advisor moves, it is for their own benefit not the clients'. Too much movement between firms therefore undermines credibility and clients also have issues with disclosure of their personal details to a number of different private banks.

With this in mind, private bankers are far less likely to move for a short-term increase in their overall package, and are taking a longer-term view when it comes to the prospect of moving firms to earn more money. However, there are other drivers encouraging them to move which firms need to be aware of and counter in order to ensure that they retain the best people.

How to keep a good private banker?

Provide a clearly defined career path

Morgan McKinley's *London Employment Monitor 2010* found that among financial services professionals, for those considering changing jobs in 2010, career development rather than remuneration was the key reason (57 per cent) for their move. In Hong Kong, Morgan McKinley noted that instead of the usual financial incentives to retain staff, it was in fact training and development (43 per cent) and talent planning and fast-tracking (31 per cent) that were the main strategies used to combat talent retention issues.

PwC found that just one-quarter of relationship managers had personal medium-term career and development plans in place that had been agreed with management and noted that unless relationship managers understand what their objectives are, and these are aligned with the strategic aims of their organisations, it is unlikely that they would be incentivised to stay with a firm for long periods of time. Just

39 per cent of wealth management firms were found to have formal employee retention programmes.

The Standard Chartered Private Bank has conducted research which it has broken down to inform it as to which skills relationship managers need at different levels and this drives the firm's training agenda. This information is structured so that it can be broken down at individual, country and regional level and the relevant coaching tools built around it. Standard Chartered also has a resource centre, including courses that relationship managers can opt to attend to build up their skill set as required.

Set realistic targets

Firms need to look at how they measure relationship managers' performance and how this then flows into individual incentive and reward programmes, in order to build a clear career path.

According to PwC, the top five factors currently used to measure relationship managers' performance are:

- increasing assets under management
- meeting revenue targets
- attracting new clients
- satisfying clients
- retaining clients

PwC makes the point that currently it is difficult, if not impossible, for relationship managers to perform well against most of these criteria.

Wealth management firms need to focus on the relevant factors that make a successful relationship manager and instead develop incentive programme that reward these behaviours. The system needs to be transparent and objective so that relationship managers understand how they are assessed and the impact this has on the level of reward they receive.

"Unless CRMs understand what their objectives are, and these are aligned with the strategic aims of their organisations, they are unlikely to stay for long periods of time," PwC said.

Whilst there are key themes that feed into a successful employee retention programme, a one-size-fits-all approach is far from ideal. It is essential for a firm to ascertain both what an individual's needs are and also their motivations so that their retention strategy can be tailored accordingly.

Particularly when dealing with very experienced individuals, it is important keep them engaged in order to retain them in case they go elsewhere to look for their next challenge. More than just training courses, development might instead be the opportunity to lead a team or do something else which results in more broad recognition outside the private bank. These motivating factors can be identified through talking to relationship managers in depth and developing planning and skills gap analyses.

The firm needs to understand and recognise relationship managers' broader aspirations and what gives them impetus - what really drives and interests them.

"You need to look at how you mirror the client experience in the way you manage your staff," says Jacqui Brabazon from The Standard Chartered Private bank. "If someone is motivated by recognition we will look for opportunities for them to represent the Private Bank in pan-bank forums, if they are motivated by personal development we will look at personalised training plans." She also advises that an organisation should never overlook the fact that even experienced relationship managers still want to be developed.

Develop engagement with the corporate strategy

PwC's research found that a lack of agreement with corporate strategy was another key reason that advisors were leaving firms.

Post-credit crisis the product sales-driven model of some larger firms has become less popular with clients that feel they have been sold products when what they were looking for was advice. At some firms, there can be a greater pressure to deal with client relationships in a certain way so that relationship managers effectively become sales teams to discretionary management and other ancillary services.

"Some bankers are thinking that they have played the game long enough and don't have to put up with it any more," said Bill Yelverton from Scorpio Partnership.

Scorpio Partnership believes that independent wealth advisors destined for future success will be those that offer fees, independent of product, for advice - creating what it calls a "healthy barrier" between the two. However, the proportion of firms currently offering fees for ongoing advice as a core of their proposition are such a small proportion of the market, it would, according to Scorpio, require a truly colossal paradigm shift to see this model become dominant.

With increasing levels of open architecture, firms have access to a wide range of products which have, in effect, become standardised. This makes it possible for bankers to access everything that they need to service clients effectively through a boutique firm, where there can, at times, be less pressure and more flexibility. There have been a raft of recent examples of advisors moving from "bulge bracket" firms to small to medium size players.

Linked to this, businesses that have restructured and separated the role of relationship managers and discretionary investment have in the past prompted staff to move on, with mid-size independent firms the main beneficiaries of this.

However, due to increased regulation where it is the wealth management institution that picks up the compliance responsibility, relationship managers have had to learn to "toe the line".

"The era of the independent, 'free thinking' relationship manager is largely over. Firms cannot afford to employ relationship managers who don't comply with the firm's procedures and FSA regulations, however good they are, as the risks to the organisation and their clients are too great. Accordingly, wealth management firms are laying down common procedures and requirements, and monitoring compliance more rigorously," according to consultant Bruce Weatherill.

Mr Weatherill says that the model for delivering client service is undergoing a change. Increasingly, the generalist relationship manager model will need to evolve and the heightened use of product specialists to talk to clients about specifics will become more and more prevalent. "Two individual clients with largely the same amount of assets and risk profile can no longer have different portfolios simply because their relationship manager gravitates towards what they know," he said.

CASE STUDY: INVESTEC

Over the last two years, Investec has spent a great deal of time, energy and resources on recruiting quality individuals, whilst significantly bolstering the business' systems and investment processes.

The team provides an independent wealth management service with less than two per cent of clients assets invested in "in-house" product. The business says it seeks to differentiate itself through having its investment practitioners (IPs) as both the client's relationship manager and technical professional.

Each IP targets a maximum of 20 clients with investable assets in excess of £10 million. The firm says this "high-touch, low volume approach" ensures high levels of personal service. The Private Wealth Management division employs a team to quantitatively and qualitatively choose suitable investment products, including access to institutional private equity and structured opportunities for its product platform. Investments are then, via a rigorous global investment process, blended together to produce a bespoke investment solution for each client.

CASE STUDY: VESTRA WEALTH

This UK wealth management firm was founded by managing partner David Scott in late 2008, when it took more than 50 employees from UBS.

Mr Scott says that the firm's ability to attract high-calibre talent is less about remuneration than it is about being closely involved with the investment process. "Some people dislike a centralised investment model and want to be more involved," he said. "It's probably a little bit about an alternative to banks, which individuals get at smaller firms."

Mr Scott believes that individuals move to firms like his due to a wish to have a partnership structure, more influence in the business and increased ownership of the client experience. He says that although a lot of people think that they will have more freedom at a smaller firm, and that's true to a certain extent, it is far from a "free for all":

"We have created an organisation where the individual can express their own view and that of their client, but there needs to be institutional rigour around this rather than a 'Wild West' approach," he said. "It's about allowing people to treat individuals as individuals."

Mr Scott believes that this is only possible at a smaller firm, whereas a centralised investment process is the only way to go in a large firm.

Whilst new recruits first have to prove that they can fulfil the role they have been recruited to do and that they subscribe to the way Vestra Wealth does business, after six months, a year or 18 months the firm considers offering them partnership.

Mr Scott asserts that even a well articulated reorganisation of a firm's client base into different segments can change the dynamics of a firm. "Instead, we aim to build a genuine partnership with a team of people with different skill sets, so that they can bring in the expertise to help a client in certain areas, like hedge funds for example, from among the other partners, without being fearful of losing ownership of that client," he said.

When asked what he looks for in a prospective employee, he cites personal integrity in dealing with clients as a must, as well as an ability to demonstrate they have gone beyond the call of duty or stood up in a particular situation which they didn't feel was right. "I don't like guaranteed bonuses, they are too short term, so if someone talks too much about that I would shy away from them," he said.

Mr Scott says that, beyond this, there is no formula to recruitment and the firm has taken on both experienced individuals with big books of business and in other cases those with less experience with a view to training them up, although in the shadow of the RDR he would not take anyone who is not compliant, unless at trainee level.

"I don't want 40 clones. It's about how you blend different types of people," he said. "In a smallish firm, there is no room for those who think it will be handed to them on a plate, so a hard work ethic is important."

Mr Scott attributes Vestra Wealth's success in retaining employees to its entrepreneurial environment and the fact that people can contribute openly. "I have an open door and am happy to hear any suggestion. The people in the back-office often see areas of improvement that I just don't get to see. We are all on one floor and very flat in terms of structure," he said.

The right ratio of clients to advisors

The average number of clients per relationship manager varies across the world according to the prevailing business relationship model and a wide variety of other factors, but it is important to ensure that appropriate levels of service are maintained to achieve optimum client - and advisor - satisfaction.

However, what the credit crisis has made abundantly clear is that advisors were ill-equipped to take calls from hundreds of worried clients in one day when markets nose-dived, even with the support of teams around them.

As a relationship managers' time is expensive, firms most commonly segment their clients using assets under management as a basis. With a fully-costed relationship manager costing in the region of £500,000 a year, a client with assets of £3 million paying a fee of 1 per cent would bring in revenue of £30,000 and would therefore be entitled to receive one-sixteenth, or about six per cent, of their relationship manager's time.

However, research by PwC in 2007 found that less than one-third of relationship managers' time is spent with clients. Although by 2009 this had increased to 40 per cent, 65 per cent of advisors still regard this as insufficient to provide an adequate level of service.

How relationship managers spend their time

Activity	Percentage of time
Contact with existing clients	30 per cent
Marketing and prospecting	19 per cent
Administration and error resolution	18 per cent
Portfolio management and client trades	17 per cent
Compliance and Know Your Client (KYC)	6 per cent
Investment research and analysis	6 per cent
Training	4 per cent

Source: PwC, 2007

To compound matters, not all of a private banker's time is divided up equally between clients, a client with £500,000 cannot realistically expect to get more than a tiny amount of their relationship manager's time, which puts the client relationship and the advisor under considerable pressure.

The Standard Chartered Private Bank says that whilst a sound strategic business model will target a specific relationship manager/client ratio, the reality is that this has to be flexible and based on a variety of factors. "A client should feel that they are the only client but clearly that is rarely economical," said Jacqui Brabazon, adding that the ratio needs to reflect the complexity of the clients' affairs, the size of the clients, the revenue generated and the potential to deepen the relationship.

Barclays Wealth said in 2007 that it had reduced the number of clients each private banker had so they could spend more time with each client and deepen the relationship, reducing the loading of private bankers in some cases by half. A private banker might have 10 larger clients now, for example, the firm told the *Financial Times*.

Barclays Wealth says that the ideal number of client relationships that a relationship manager prefers varies widely. "Our approach is to ensure the relationship manager manages a portfolio of clients to the size where they can maintain exceptional service and advisory standards over time, but profitably for our shareholders. More is not always better," according to Phil Smith.

PwC research found that splitting fewer relationship managers between a greater number of clients does not appear to be a solution either for profitability or advisor satisfaction. Those firms servicing UHNW clients with $50 million or more allocate on average one relationship manager per 18 clients. However, the most profitable firms, as measured in terms of lowest cost income ratio, have a client-RM ratio of 2:1. The same efficiencies were found across all levels of assets under management.

"The most profitable wealth managers have significantly lower ratios of clients per CRM in the different client segments, which shows that taking care of the client really does provide its own rewards," said PwC.

A team-based approach to client relationship management has also been found to be most satisfactory, according to the Merrill Lynch/Capgemini *World Wealth Report 2009*. The research found that of those advisors that kept clients during the credit crisis, 69 per cent operated in a team-based model, while only 31 per cent were from an individual-advisory model. "Executives in several regions told us the industry is starting to embrace the team-based model as the preferred approach for serving HNW individuals going forward, and this finding confirms the validity of that shift," said the authors of the report.

Location, location, location

Firms should also look at where they base their advisors as part of their retention strategy and consult on the location of any office moves. A head office move from one side of London to the other can make a material difference to commutes and quality of life, with such moves driving individuals to find a new firm in a more convenient part of the capital.

Many firms have substantial growth ambitions in Asia, which is reportedly tempting bankers to relocate. PwC anticipates growth in Asian private banks to be at least 29 per cent year-on-year in 2009 and 2010 with HNW and UHNW individuals moving their bases to Asia, particularly those from Europe, to escape less favourable tax conditions in their own countries.

The new 50 per cent rate of income tax on those earning over £150,000 in the UK from April 2010, combined with the 50 per cent tax on all bonuses of over £25,000, has led to much talk of private bankers and wealth managers moving from London to Switzerland. The exodus from London's Square Mile has been reasonably minor so far and mostly by small firms that are fairly mobile.

However, the London Mayor Boris Johnson predicts that the trickle will become a flood and that up to 9,000 more top City executives will leave London as a result. Mr Johnson told *The Telegraph* in January 2010 that "numerous" banks - including some employing up to 1,600 people - had warned him privately that they might relocate altogether.

"Of all the tax-friendly bolt-holes that they might choose, Switzerland is the most likely. It is less crowded than Monaco, has a better climate than the Isle of Man and, with flights from London almost hourly to Zurich's vast, shiny airport, is much handier than Hong Kong or Dubai. While Britain's politicians compete to bash bankers, here they compete to woo them - each of Switzerland's 27 self-governing cantons sets its own tax rate, many with ultra-low levels to attract foreign finance firms and workers," according to *The Telegraph*. Zug is a popular Canton with some 1,200 Britons working there and more expected.

A firm's ability to offer a global choice with regards location is therefore a benefit when it comes to retention.

The right platform and proposition

Very often a move can be precipitated by a relationship manager wanting to give his or her clients the best service possible and be able to deliver the best products to meet their needs.

Banks keen to attract and retain the best relationship managers should constantly be looking for ways to upgrade their advisor platform and provide more support to develop an upgraded client experience. The ability to service clients efficiently is key both to effect client satisfaction and make relationship managers' lives easier.

"Clearly the hygiene factors need to be right but relationship managers understand that if it is good for their clients, it will be good for them too," said Jacqui Brabazon from The Standard Chartered Private Bank.

The Merrill Lynch/Capgemini *World Wealth Report 2009* found that 90 per cent of those advisors that were dissatisfied with the service and support provided by their firms lost clients in 2008, making it in the best interest of firms to ensure that advisors are satisfied.

Interestingly, those advisors that categorised themselves as investment advisors were far more likely to be dissatisfied (61 per cent of the dissatisfied advisors were investment advisors), while those that designated as relationship managers were quite likely to be satisfied (49 per cent of satisfied advisors were relationship managers). The report's authors attribute this to investment advisors being more hands-on with clients and portfolios than relationship managers, who delegate more of the portfolio management to internal and external managers.

Advisor satisfaction with service support and enablement in 2008 (% dissatisfied)

	Wealth Management Executives	Advisors
Firm's communications and directives during crisis	0%	23.2%
Client reporting (online and statements)	11.8%	21.9%
Products and services required to meet changing clients needs	6.7%	15.8%
Advisor desktop and client relationship management tools	8.8%	16.7%
Asset allocation models and methodologies	8.8%	15.3%
Quality of product due diligence (risk) and selection process	11.8%	16.6%

Source: Merrill Lynch/Capgemini World Wealth Report 2009

Firms underestimated how dissatisfied advisors were with all support areas, but most notably client reporting and firm communications. Some 23 per cent of advisors were dissatisfied with their firm's communications and directives during the crisis, yet practically none of the senior executives interviewed believed their advisors were dissatisfied with communications.

"This suggests firms should take a deeper look at advisor expectations. Interestingly, firms indicate they are focusing heavily on improving client communication and intimacy, but communication with advisors may be lagging - especially if firms believe their advisors have dealt well with this crisis," remarked the report's authors.

The report also noted that 22 per cent of advisors were dissatisfied with client reporting, but only 12 per cent of executives realised this and as advisors themselves were also found to underestimate the value clients place on reporting, so advisors and executives could be compounding the tendency of their firms to under-value something valued highly by clients.

Merrill Lynch and Capgemini suggest that to improve advisor satisfaction, firms should look to advisors that are well-informed - in other words, those whose responses are closely aligned with clients on questions about attrition - as they have a better understanding than most of why HNW clients leave/withdraw assets from their wealth management firm.

According to these advisors, the following are very important for servicing clients effectively:

- Quality client statements and reporting (according to 79 per cent of well-informed advisors)
- Client relationship management (73 per cent)
- Online access to information/services (69 per cent)
- Client website/portal (59 per cent)

PwC research found that client managers spend as much of their time on administration and error resolution (16 per cent) as they do on marketing and prospecting (17 per cent) and double the time spent on investment research and analysis.

Relationship managers are increasingly looking to IT platforms as a factor in their decision as to which firm to work for, as they understand that with better tools they are likely to be more successful.

An efficient IT platform can facilitate meeting clients' needs in a practical sense and ensure that relationship managers are equipped with all the information they need to have a holistic view of the client at the earliest opportunity with timely, accurate and up-to-date information and the ability to effect transactions for them whenever and wherever they are in the world. According to some industry experts, it is not uncommon for a private banker to receive a call from a client and have to use all their talent to assimilate information from disparate systems, sometimes on four or five platforms.

When advisors move from one firm to another, they will be dissatisfied if the systems and support are not as up-to-date as they were at their previous firm.

"Talent and infrastructure are inextricably interlinked and it is short-sighted to invest in one but not the other. Efficient systems will enhance a good CRM in looking after more clients - vital in an industry where there is a dearth of talent," according to consultant Steve Dyson.

Wealth management business consultant Ian Woodhouse believes that upgrading a firm's middle- and front-office systems and technology can be a selling point for a relationship manager, providing them with the information they need to talk confidently to clients and answer their queries without keeping them hanging on. "It can help them to answer a hundred phone calls from clients in a day if they have to," he said.

Firms need to demonstrate that they value their relationship managers and not just by way of remuneration - base and bonus. "It is also about giving them help and support, providing product specialisation and administration support to enable them to do more of what they are good at," said Bill Yelverton from Scorpio Partnership. "You need to demonstrate that you are trying to make their life simpler. Whilst IT platforms won't do it alone, a pattern of continuous improvement in terms of proposition, platform and systems won't give them a reason to leave."

Upskilling advisors

Firms are quick to point out their relationship managers' shortcomings, with only 20 per cent considering their relationship managers high-calibre in meeting the needs of clients (according to PwC) and one-quarter of CEOs admitting that their relationship managers are of only average ability. Relationship managers have long since recognised the areas where they are lacking, particularly client relationship management skills and taxation, making training and development programmes crucial both to enhance relationship manager and, ultimately, client satisfaction.

However, with budgets under pressure in the global recession, training days have dropped, with 43 per cent of those surveyed by PwC saying that they received less than 5 days training in 2009 compared to 34 per cent in 2007.

Whilst CEOs recognise the need for investment in training and development, with 95 per cent of them backing the development of a specific wealth management qualification, there is a sense that they need to "put their money where their mouths are."

Brand and reputation

Post-credit crisis, clients have dual concerns around their advisor and the institution. "There has been a lot of change in institutions in terms of reputation, which has affected different private banks in different ways. This has also had an impact on advisors," according to Mr Woodhouse.

In many respects, marketing and a strong brand is as much about attracting quality relationship managers and other staff, as it is about attracting clients. The benefits of creating a strong wealth management brand are twofold, as in the medium to longer term, brand and reputation come into play when advisors are making decisions as to which firm to work for. A strong brand can also engender a sense of loyalty to the firm in the client over the individual wealth manager if the latter does decide to leave the firm.

Those firms that have continued to invest in their brand during the recession, such as HSBC Private Bank, have succeeded in continuing to attract advisors. It is more difficult to entice bankers away from firms which have a strong brand identity and reputation. "Why would a banker want to leave Pictet at the moment?," said one industry expert.

Barclays Wealth says that in light of recent market turmoil, the strength of its brand and reputation, along with its access to world-leading products and services, and focus on client experience have meant that an increasing number of high-quality bankers are looking to join its platform.

Those firms perceived to have had a good credit crisis have attracted and retained advisors more successfully than their counterparts that have had their reputations dashed. The financial crisis has created opportunities for mid-size and smaller independent firms to offer advisors a different hiring proposition, communicating that they have a better brand and a more entrepreneurial, business development type of role, which involves growing assets as well as managing clients and upgrading the client and advisor platform.

There is speculation as to whether bankers at those firms that are perceived as not having had a "good credit crisis" and whose clients have suffered are being pressured by those clients to move elsewhere.

Andrew Rodger from Stonehage attributes the recent examples of wealth managers from larger wealth management firms joining boutiques to the fact that client moods have turned towards independent advisors who are demonstrably on "their side" and not selling products. "Individuals in the wealth management industry will follow the clients," he said.

In Asia, particularly, relationship managers like to work with firms with a strong reputation in the market place. Local Singaporean banks are noted by industry experts to have done well in the downturn as end-clients become more cautious and more focused on wealth preservation and protecting assets rather than making returns on their investment. The Standard Chartered Private Bank is singled out by several headhunters in the region as a firm which advisors are attracted to as one that has a great brand in Asia and where losses were minimal.

Careful management of M&A

As businesses where the main assets are people, mergers and acquisitions of wealth management firms are notoriously difficult, particularly where front-office staff are concerned, and melding different cultures together can be problematic.

"Acquisitions are also a factor and it is never easy to merge private banks and wealth managers, particularly front-office teams," according to Mr Woodhouse. He says that M&A activity has created more pure play, mid-size champions through the dismemberment of bigger groups, citing Commerzbank's sale of its non-domestic wealth management operations, such as the UK-based private bank Kleinwort Benson.

When well-executed, mergers can work extremely favourably and enhance shareholder value, but in some cases where a merger or acquisition has taken place, advisors may lose patience and go. There are a number of risks and many mergers in wealth management have resulted in high profile cases of mass defections.

Recent evidence of this includes the ten private bankers that asked to leave Bank of Singapore in April 2010 following its merger with ING earlier in the year, as reported by *Reuters*. The bank had fifty private bankers working for it at the time of the merger.

The chief executive of Bank of Singapore, Renato de Guzman, said in a statement: "The integration of two different organisations resulting from any merger and acquisition activity is not expected to be totally smooth. Staff volatility is also not unusual in private banking in Singapore."

At the bank's AGM, as reported by *The Straits Times*, CEO David Conner said the private bank had already brought in extra talent such as Robin Heng from UBS as managing director for Southeast Asia. It also stated its intention to hire around 30 new relationship managers this year.

The integration of Gerrard staff following Barclays Wealth's acquisition of the private client stockbroking business in 2003 has not been straightforward. At times Gerrard staff seemed to struggle to cope with a different management structure and ethos, along with the new demands of providing clients with a holistic wealth management proposition, and there were many defections to rivals in 2008.

Barclays Wealth has stressed that the organisation is building a new paradigm for wealth management and that while it is keen to build staff numbers, it is not the place to be a client-facing manager if you do not accept the new ethos, or, indeed, cannot deliver what is believed to be needed as clients get more sophisticated in their requirements.

UBS's acquisition of Laing & Cruickshank in 2004 resulted in a large proportion of original Laing & Cruickshank staff leaving UBS to set up Cheviot in 2006.

Bank of America Merrill Lynch in its March 2010 research note *Structural concerns drive valuation to attractive levels* quotes data from the Accenture - University of St Gallen study *The Swiss Banking Industry in the Year 2010* which shows that the fact that private banking clients have relationships with just over two banks on average can make acquisitions of similar private banks difficult. If there is an overlap of the client base, one private banker will be forced to give up his or her client relationship. “In our experience there is no quicker way to annoy a private banker than to take away a profitable client,” the firm said in the note.

Expected average private banking relationships per client in 2010

Number of relationships	Percentage of clients
1.0 to 1.5	12%
1.5 to 2.0	38%
2.0 to 3.0	44%
Over 3	6%

Source: Accenture - University of St Gallen The Swiss Banking Industry in the Year 2010

The Standard Chartered Private Bank's merger with American Express Private Bank in 2008 is widely regarded to have been a successful one. Standard Chartered puts this down to the fact that it is experienced in acquisitions and was quick to welcome American Express staff. It had a clear integration structure, moved to the same premises swiftly and key staff got to visit Hong Kong and Singapore to gain orientation on how Standard Chartered worked and did business. Another aspect of the success was clearly communicating that American Express brought something valuable to the new entity, including its experienced relationship manager base, systems and platforms, all of which were needed to establish Standard Chartered's private bank.

“The acquisition of AEPB significantly accelerated the development of the Private Bank. Capabilities such as a single common global operating platform, discretionary portfolio management, trust and fiduciary expertise, collateralised trading, a Swiss booking centre, consolidated client reporting and an online client platform would have taken considerable time to develop organically. It undoubtedly helped position us as a credible competitor at an important time for financial services,” said Shayne Nelson, CEO and global head, Standard Chartered Private Bank.

Even firms needing to make transformative numbers of additions to their staff rosters need to exercise caution and selectivity when hiring. Whilst acquiring whole teams can be a good way to boost numbers, mass poaching also has its potential downside. The fit needs to be right in order to engender continuity and stability and keep the firm's pre-existing culture intact.

CASE STUDY: STONEHAGE

Stonehage is an independent firm that provides international families with wealth management and fiduciary services. Its staff turnover is reportedly a quarter of the industry average.

Stonehage says that it has a unique character and a way of doing business that is secure and traditional but also highly entrepreneurial. It draws its staff from both the professional and academic worlds, which it says enables it to bring a unique combination of expertise and experience to its clients.

“We are proud of the fact that people find it rewarding working for Stonehage and that our staff turnover is extremely low. This provides our clients with a familiar atmosphere and continuity in their dealings with us,” says Andrew Rodger, executive director and head of the Stonehage Family Office.

Interviewed for this report, Mr Rodger described Stonehage as a highly relationship-driven organisation whose teams have the opportunity to get to know clients very well. “Stonehage takes a genuinely multi-disciplinary approach - it is interesting and stimulating work which means that our people do not want to leave,” he said. He believes that wealth managers are pushed to leave firms if they think they can service their clients better with a different platform. “Ultimately they want to be incentivised to work in their clients' best interest. If they think clients can do better elsewhere, it is hard to stay put themselves,” he concludes.

In terms of retention, Mr Rodger believes that firms that allow their employees' careers to develop with the client relationships and train them to ultimately be able to deepen and broaden the service they provide will encourage staff to stay. “It is in everyone's favour to do this - the client, the staff member and the organisation.”

In terms of recruiting the right staff in the first instance, Mr Rodger looks for pragmatic and proactive people who will not only excel in professional terms but also understand the way in which the firm's clients think. Its recruitment process is painstaking and approached with great care in order to seek these individuals out.

What happens when a private banker moves firm?

Inevitably, despite a firm's best efforts, relationship managers will leave from time to time. It is therefore important to prepare for this eventuality and mitigate the negative effects with the right structures and processes.

Client portability

The ability of relationship managers leaving a firm to take clients assets with them is, of course, an issue. Just prior to the credit crisis, there was less "client transportability" in the industry than there had been previously.

Whereas seven to ten years ago, a good private banker might have expected bring 50 per cent of his book to a new firm and five years ago, could perhaps expect to move around 30 per cent, this figure had fallen further immediately pre-credit crisis.

"The migration issue does exist, but rather than bankers bringing over 90 per cent of assets, in my experience, it is more like 25-30 per cent," said Graham Harvey of Scorpio Partnership.

Reportedly, some banks can now often expect to be able to retain 80-90 per cent of the assets represented by a client book when a private banker leaves the firm. Furthermore, at some firms the revenues from a client's assets can increase by between some 10 per cent when a private banker moves on, as a new banker with the same firm provides an opportunity to discuss the client's portfolio from a new perspective.

Scorpio questions whether there is a possibility that the ability to transfer assets might increase in the wake of the credit crisis, particularly for the clients of those firms where there is a perceived weakness of their brand integrity.

Phil Smith from Barclays Wealth acknowledges that clients will and do follow their advisors from platform to platform, but believes that it is too early to tell whether client behaviour has changed with regards to moving assets with their advisor as they change organisation due to the erosion of trust in the sector which has made clients more cautious.

"It is our belief that intelligent clients will seek out the best combination of advice and service, and will ultimately move to retain it once found," Mr Smith said. "In our experience the percentage of a book which moves varies massively and is dependent on a wide range of commercial factors at the client level before consideration of the platforms involved." Clients tend to only have part of their wealth with each of a number of firms and rarely trust one organisation to manage everything. Clients are perhaps now far less prepared to move to follow their advisor, especially as many relationship managers have made several moves in the last ten years and have said each time that the firm they're moving to is the best each time.

"Clients are acting more independently and are no longer willing to change wealth manager again just because their relationship manager has decided to move on. Clients now realise that these moves may be good for the banker but are not necessarily in the client's best interest," said consultant Bruce Weatherill.

Initiatives to retain client assets when advisors move

There are a variety of ways in which firms aim to protect assets and try to ensure clients are loyal to the firm, rather than relationship manager, so that they can be secure in the knowledge that they will retain a client's assets if their advisor moves firm.

Some of the key ways of engendering clients' loyalty and embedding them in the institution are:

- A strong brand and reputation
- Building client relationships with the firm through multiple points of contact
- Superlative client service
- Contractual measures such as "hands-off" periods and strict covenants around poaching clients
- "Sticky" products such as private equity and total return products, which are more difficult to move

Many firms talk about retaining advisors and institutionalising clients, but these strategies are usually considered separately. However, Standard Chartered contends that whilst this linkage is not often made, they are in fact the same thing.

"The key is to build a relationship whereby neither the client nor the relationship manager want to go elsewhere," said Jacqui Brabazon. "If the service and support the organisation gives helps the relationship managers to be successful then you are more likely to retain both relationship managers and clients."

The Standard Chartered Private Bank has a Client Charter that outlines its approach to clients and establishes measures against each of the elements. "In the industry we all talk about service but very few of us have outlined and quantified what this actually means for clients," concludes Jacqui Brabazon.

Barclays Wealth says that it does not as a matter of course use contractual tools or incentives to widen access to the client. "You ultimately protect client assets be providing exceptional service and performance, not by protecting the banker," said Phil Smith. "Our focus is on having quality bankers who leverage the firm and bring to bear its strengths in the form of people, solutions and process."

Challenging the relationship manager for client ownership

Traditionally, some relationship managers and private bankers have operated with a "little black book" of their clients and take this to a new job. This can be a barrier to capturing the requisite detailed client information necessary to build a relationship with the firm rather than the individual and bankers are often reluctant to hand these relationships over.

Private bankers are the face of the organisation to individual clients and capturing client information may go against their own personal way of working. It can be a cultural battle getting private bankers to use IT systems that capture pertinent client information.

According to PwC, one firm in Ireland which has undertaken a client segmentation exercise is using an online questionnaire to gain the information it requires from clients. Whilst the relationship manager is the firm's "eyes and ears" on the ground, an online questionnaire is a cleaner way to gain information from the client rather than from their relationship manager who perhaps has a vested interest in the answers the client gives.

Another way to build a relationship with the firm rather than individual banker is through a team-based approach, something which Coutts has trialled successfully.

CASE STUDY: COUTTS' TEAM BANKING APPROACH

Known for its innovative approach to segmentation where clients are divided into six segments - entrepreneurs; inpatriates and international clients; executives; professionals; sports and entertainment, and landowners - in order to fine-tune how the bank can serve clients and tap into new, as well as traditional wealth sources, Coutts also implemented a new team banking approach at the start of 2008.

The aim of this new system is that clients are able to benefit from the shared expertise, skills and support of different members of the Coutts team, while ensuring that there is still one lead point of contact.

"Until the beginning of 2007, although we had these market segments, bankers acted as sole traders and had their own targets… ever since I came into this job, I have been keen to get them talking in teams, to increase their skills as bankers by talking with each other. There was much scepticism about the new team banking structure in the early days, and headhunters were hot on our tails trying to entice private bankers away; however, the success of the project has been so much so that I am now approached by headhunters with whole teams wishing to join Coutts. It is still work in progress but I am still comfortable that it was the absolute right thing to do," said RBS Coutts' Asia CEO, Nick Pollard.

"We tested it at the start of 2007 in London, Milton Keynes and Manchester, and then launched this approach across the rest of the bank in January 2008; and in all cases client feedback was positive," he said.

However, other successful firms have no desire to build a relationship between the firm and the client, actively encouraging a unilateral approach by their client relationship managers in building their own relationships with clients independently of the overarching firm.

CASE STUDY: EFG INTERNATIONAL - THE BANKER IS THE BRAND

EFG Bank, the Swiss-based global private banking group, is a notorious proponent of providing its relationship managers, which it calls CROs, with a great deal of freedom. "In our case, a CRO can go wherever he wants to. He does not have any segmentation in respect of the thresholds of clients we are serving. He does not have any limits whatsoever and this is making the business so successful," Jean-Pierre Cuoni, chairman EFG International told the consultancy Arvetica in 2006. "The trick in the business is to keep your people happy: give them the best possible environment in order to function and do business with clients."

EFG has said in the past that it believes that clients bank with the CRO, not the bank, and unlike many of its competitors, it is not trying to change this. "Don't forget, clients don't bank with a bank. They bank with a person in a bank. I submit that it is more difficult for a client to find his (right) banker in one of the banks, than for a banker to find a client." EFG has therefore based its approach on facilitating that search for the ideal banker for every potential client.

EFG avoids a one-size-fits-all client investment strategy and although it has a global advisory service for CROs, providing them with a host of information on investments, with recommendations and lists of stocks and bonds and so on, it is up to CROs whether they use it. This is based on the premise that every CRO knows best what a client needs and it is therefore left up to the CRO to use external or internal products in order to meet these needs. "To dictate bank-wide what has to be sold to clients is, in my opinion, a mistake, because if you are wrong, then everybody is wrong and all the clients are getting the wrong advice," Mr Cuoni has said.

EFG is rooted firmly in its philosophy of building a bank around the CRO.

"We built this bank for CROs. Our model is to hire professional, experienced CROs, who are expected to bring in their clients. We set them free - free of bureaucracy, free of sales targets, free of conflicts of interest, free to serve their clients the way they believe it is right," Mr Cuoni added. "We accept that clients belong to CROs in the first place and not to the bank."

This approach has been a successful one for EFG, which has recently said that it intended to significantly expand its business operations in Switzerland and other parts of the world. However, it also pointed out that is has shut offices in areas to cut costs while adding to its presence in selected locations.

It is focused on organic growth rather than acquisitions, and sees an attractive opportunity to recruit high-quality relationship managers.

Announcing its results in March 2010 the firm highlighted its commitment to hiring high-quality CROs "who are capable of being profitable in relatively short order. It will also continue to extend selectively its representation, subject to finding the right people," EFG said in a statement. The business also expressed confidence that it would be able to maintain its historic average growth in clients' AuM per CRO of SFr30 million.

According to a research note by Merrill Lynch, the business has around 650 CROs at present, up 24 per cent from 2007, but down 10 per cent from its peak in 2008.

Mr Cuoni told *Bloomberg* in March 2010 that the business plans to double its roster of CROs in Asia in the next five years to tap into the rising wealth of the region's growing population of millionaires, increasing the number of CROs from 170 today by 150.

Mr Cuoni said that private bankers in Asia have six to seven years of experience in Asia compared to 25 years in Europe. "You don't find people with 20-30 years experience [in Asia]," he said. "I don't think there is a lack of private bankers. Asia has a very young market and a young population. Everything is faster out here," he told the news service.

Findings

As the war for talent starts to gather pace once more, firms and relationship managers face new challenges, both in gaining client trust following the credit crisis and upskilling to meet the heightened demands of clients. In a poll conducted by *WealthBriefing* in July 2009, it was felt that the quality of relationship managers needed to improve further by a resounding 89 per cent of respondents, with 5 per cent being unsure and just 6 per cent disagreeing.

The credit crisis has to some degree enabled firms to take a step back and begin to establish what they are looking for from relationship managers. Whilst exclusive research by *WealthBriefing* found that 85 per cent of respondents said that a "book of business" was the primary criteria wealth management firms looked for when recruiting, with just 15 per cent disagreeing, the ability of relationship managers to bring client assets with them was deemed as declining in importance by the contributors to this report. Firms are instead beginning to value communication skills, a diversified skill set, qualifications and experience in the relationship managers they look to recruit.

Qualifications appear to be increasing in importance, with 85 per cent of respondents agreeing that they were, although a significant minority of 15 per cent felt that they were not. Whilst initiatives like the RDR in the UK mean that one driver towards increasing qualifications is a regulatory imperative, there is also a sense that well-qualified advisors can also go a long way to increasing client confidence and building trust.

Whilst the majority of firms still regard recruiting from rivals as the preferred means of bolstering the front-office, training programmes for graduates and lateral hires are starting to gain traction and bring success to those firms that have consistently invested in these initiatives. Where firms do poach from their competitors, the focus is now more than ever on quality over quantity, with efforts being made by market-leading firms to establish those criteria that denote success in their organisation and to recruit against these.

Churn is still very much an issue in the industry, with many relationship managers remaining at a firm for less than five years. This situation is untenable in an environment where firms are trying to convince sceptical clients that they want to build long-term relationships with them.

The key now is for firms to keep valuable talented and experienced relationship managers and, to do so, it is important to understand what makes them tick and the push and pull factors that drive them to stay with or leave their firm. Key areas where firms should concentrate their efforts to retain the best advisors include setting clear and realistic goals and targets; ensuring engagement with the corporate strategy; establishing the right ratio of advisors to clients; thinking about location and brand, as well as providing advisors with the platform and proposition to service their clients well and to make their lives as easy as possible. However, a one-size-fits-all approach will not work and firms must understand what drives each individual.

On occasions when relationship managers do leave, a strong brand, multiple points of client contact, "sticky products" and excellent client service can all be more successful than heavy-handed contractual measures in persuading a client to stay.

Retaining advisors and institutionalising clients are not often discussed in the same breath, but if a firm provides the right service and support to enable its relationship managers to be successful then neither relationship managers nor clients should want to go elsewhere. ■

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Published by:

ClearView Financial Media Ltd
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Fax: +44 (0) 20 7504 3610
www.clearviewpublishing.com