

A new era: redefining ways to deliver trusted advice

Global Private Banking and Wealth Management Survey 2009

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Foreword

The PricewaterhouseCoopers Private Banking and Wealth Management Leadership Team



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PricewaterhouseCoopers is delighted to bring you this latest edition of our Global Private Banking and Wealth Management Survey, 'A new era: redefining ways to deliver trusted advice'.

Since our 2007 Survey, the world of the wealth manager has become far more challenging. With asset values down, lower trading volumes and clients focused on lower margin products, revenue prospects are severely reduced. Clients are expecting more from their wealth manager, are asking difficult questions and looking for assurance. Client relationships appear less secure. Additionally, governments and regulators are increasing the pressure on wealth managers in a variety of ways.

As a reaction to this, wealth managers are returning to their core – focusing on trusted advice and the long-term client relationships that have traditionally been at the very heart of the business. In an economic downturn, companies move up and down performance and profitability league tables more than at any other time. Wealth managers who successfully redefine their business models now will

retain leadership during the subsequent economic upturn. The logic is simple and compelling: businesses have to plan to succeed in a downturn if they are to have any realistic chance of winning when good times return.

The current environment offers real opportunities for those wealth managers with the agility and ability to adapt their strategies, people and processes to address gaps in the market. In our view there are three underlying themes that will define the future of the industry:

- The emergence of 'Nouveau Classic' banking;
- Adaptation of business models, specifically the drive for process efficiency and improved service; and
- Increasing political, fiscal and regulatory pressures.

Emergence of ‘Nouveau Classic’ banking

The trusted relationship, the very foundation of wealth management, has been damaged. Clients are feeling bruised and have become disillusioned with financial institutions. There is a sense that some wealth managers might have placed short-term revenue goals – and not client interests – at the heart of their businesses. As a consequence client loyalty has declined. Clients are now raising the bar, demanding higher standards of service and advice, coupled with simplicity and transparency. They want to understand precisely what they are investing in, where it is held and how it is valued. This poses challenges for wealth managers, not least of which is the level of transparency that clients require.

With markets likely to remain volatile for some time, clients will demand that information on their exposures is readily available. Yet many wealth managers simply cannot provide real-time data. In volatile markets, the inability to provide a higher level of transparency dramatically impacts on an institution’s ability to be a true ‘trusted advisor’. We see this as an historic crossroads for the industry.

Clients are not looking for complex products, promising high yield, but rather trusted and independent advice that can address their needs both in the short term and longer term.

The economic crisis has presented Client Relationship Managers (CRMs) with challenges that they have neither the experience nor the skills to deal with. If quality of advice is the real differentiator, then wealth managers need to arm their CRMs with the relevant skills, tools and training so that they can fully meet the needs of their clients.

Wealth managers can no longer afford to be all things to all people. They need to be clear both on where in the market they can win and where they want to participate. Service offerings need to be tailored across all segments. Only then can wealth managers deliver services in a profitable manner, which meet the needs and expectations of clients. It is a time for change – redefining the delivery of trusted advice.

Adaptation of business models – the drive for process efficiency and improved service

With a natural gearing to financial markets, wealth managers’ revenues have fallen sharply.

Wealth managers will increasingly look to introduce new revenue models that are more predictable over the long term by replacing commissions with service charges and fees. Such changes will be challenging, but managing revenues in this way will help avoid making deep cuts in times of market distress.

With revenues falling, there is great pressure to cut costs. Yet wealth managers’ relatively fixed cost bases make substantial reductions difficult to achieve without removing people. To manage costs, wealth managers need to evaluate their business models: hard decisions need to be taken on what wealth managers focus on within their own businesses – what it is that differentiates them – and look to cease or outsource non-core activities and processes. Technology infrastructures and processes within wealth management

have traditionally been an area of under-investment, and have resulted in a host of one-off solutions and manual workarounds. Operating models will need to be reshaped and processes improved if wealth managers are to succeed in the long term.

The successful wealth manager will maintain investment, and prioritise long-term efficiency gains before short-term cost cutting. With most Chief Executive Officers (CEOs) still anticipating mergers and acquisitions in the market, the challenges of integrating operations and people within those organisations will be considerable and require a long-term view on investment. Those that continue to invest sensibly, while making the significant cost reductions that most CEOs participating in the Survey believe are attainable, will protect their margins. Finding and leveraging the 'sweet spot' of profitability has never been more important.

Increasing political, fiscal and regulatory pressures

Two years ago it would have been unthinkable that governments would have substantial stakes in banks, many of which have large wealth management operations. State ownership and wealth management do not naturally sit together but many clients now actually view state ownership as providing welcome stability in the short term.

History indicates that a financial crisis leads to new regulation. Following an unprecedented financial crisis, it is logical to anticipate an unprecedented regulatory response. New regulations will impact on wealth managers both directly and indirectly. For example, the European Commission is proposing to regulate alternative investment fund managers and similar measures could be introduced elsewhere.

With governments facing unprecedented fiscal pressures, a consequence is that so called 'tax havens', international private banking centres (IPBCs), have increasingly come under the spotlight. Governments now expect financial institutions not to

engage in or support 'unacceptable' tax planning and institutions will be required to enforce client compliance.

There is a complicated set of political, fiscal, social and regulatory drivers at play here. The implications of such change will be far reaching: many mainstream financial institutions might find that connections with 'light-touch' financial centres will no longer be commercially viable, and some wealth managers will look to reduce the number of centres they use to limit potential risk. While there has not been a change in OECD policy, there has been a very considerable step change in the level of political pressure being brought to bear. IPBCs without the political clout to stand up to such pressure are particularly likely to feel the impact.

Some are predicting the end of offshore banking. However, while the era of competitive advantage via secrecy is drawing to an end, and we move to an era of 'compliant confidentiality', IPBCs will doubtless adapt over time to these new challenges, and new centres will also emerge.

We would like to take this opportunity to thank all the organisations who participated in our Survey

Wealth managers need to plan for a tax-transparent world, taking steps to ensure that product ranges, sales techniques and messages are fully compliant with new regulations. Organisations need to think carefully about where they place clients' funds, as well as the vehicles and techniques they use to serve their clients. Exactly how this will play out over time remains to be seen, particularly with government very much 'inside the tent'.

A new era

Against the current background of financial turmoil, the wealth managers that emerge as leaders will not only do what is required for survival in the short term. They will also be agile and innovative enough to respond to the demands of the new wealth management landscape in a way that builds long-term competitive advantage. The business of wealth management has changed for good and some of yesterday's business models have clearly failed. Only those wealth managers that understand this will thrive in this new era.

Thank you to all who contributed

Our Survey would not be a success without significant industry participation and we would like to thank the 238 organisations based in 40 countries that took part. We hope that you find this Survey insightful and thought-provoking and we would be delighted to discuss in detail your feedback on the issues raised within it. Please do not hesitate to contact us or your usual PricewaterhouseCoopers contact.

Finally, we would like to thank the entire PricewaterhouseCoopers team who have worked together over many months to produce such an insightful report, in particular the Global Editorial Board.

We are looking forward to the next edition.

The PricewaterhouseCoopers Private Banking and Wealth Management Leadership Team

Key survey headlines

01

Performance in crisis – what to do now?

After several years of accelerating growth, the economic crisis has brought wealth management's expansion to a screeching halt.

Placing clients at the centre of the business model, providing objective advice and possessing a strong brand are now key to success.

Taking care of the client provides its own rewards – the most profitable wealth managers have significantly lower ratios of clients per CRM across each wealth segment.

02

Client service – disciplined segmentation lifts quality

Servicing strategies must define and address specific client segments, with differentiated offerings designed to support clients' needs throughout all stages of their lives.

Disciplined segmentation will not only help wealth managers tackle today's client service challenges, but also allow services to be offered to specific clients in a more cost-effective manner.

03

Products and services – delivering 'Nouveau Classic' banking

Wealth managers are seeking to redefine trusted advisor status.

In the wake of investment frauds, transparent product offerings, together with robust suitability and due diligence processes, are critical not only to drive customer value but also to protect the reputations of wealth managers.

Product and service offerings need to be clearly aligned with client preferences and financial goals, while also being operationally efficient for the wealth manager.

04

The people agenda – a new strategy required

Today's economic crisis presents challenges for which CRMs have neither the experience nor the training.

If quality of advice is to be the real differentiator, CRMs need to develop stronger advisory skills, as well as expanding their knowledge in areas such as tax and risk.

As governments and regulators drive change in reward structures, long-term compensation and development packages must encourage client-centric behaviours and CRM loyalty.

05

Operations and technology – delivering client value and cost efficiency

COOs at successful wealth managers must make changes to their operating models to reduce costs, while simultaneously investing to support and drive business growth.

Many COOs surveyed believe there are significant cost savings that can be made over the next two years and place process efficiency towards the top of their agendas.

With two-thirds of CEOs identifying acquisitions as continuing to be a part of their growth strategy, there will certainly be significant challenges around the integration of operations.

06

Risk management – protecting the client promise

Robust risk management is the guardian of every wealth manager's reputation.

Poor risk management when selecting products for clients has been an evident weakness – undermining many established wealth management brands.

In this new era, risk management must come of age. Its application must be holistic and driven by clients' expectations.

Performance in crisis – what to do now?

01

After several years of accelerating growth, the economic crisis has brought wealth management's expansion to a screeching halt. Placing clients at the centre of the business model, providing objective advice and possessing a strong brand are now key to success. Taking care of the client provides its own rewards – the most profitable wealth managers have significantly lower ratios of clients per Client Relationship Manager (CRM) across each wealth segment.

The business model of wealth managers has been designed primarily for growth. The strategy of growth is realised through the aspired 'relationship of trust' between the client and his CRM or externally through the acquisition of CRMs and/or competitors. In recent boom years this growth has accelerated and at the same time yielded high levels of profitability that fuelled the attractiveness of the wealth management sector. In the 2007 edition of our Survey, prior to the current financial crisis, Chief Executive Officers (CEOs) were still convinced that more than 30% growth would be achievable in the coming years.

With the benefit of hindsight this turned out to be a fallacy. The growth story came to a screeching halt in 2008. Assets under management (AuM) have shrunk considerably. Disillusioned by the negative performance of their invested

assets, clients have become more risk averse, moving into cash and less risky instruments (with lower margins for wealth managers). This also reduces trading activity. As a result, wealth managers' revenues have shrunk considerably.

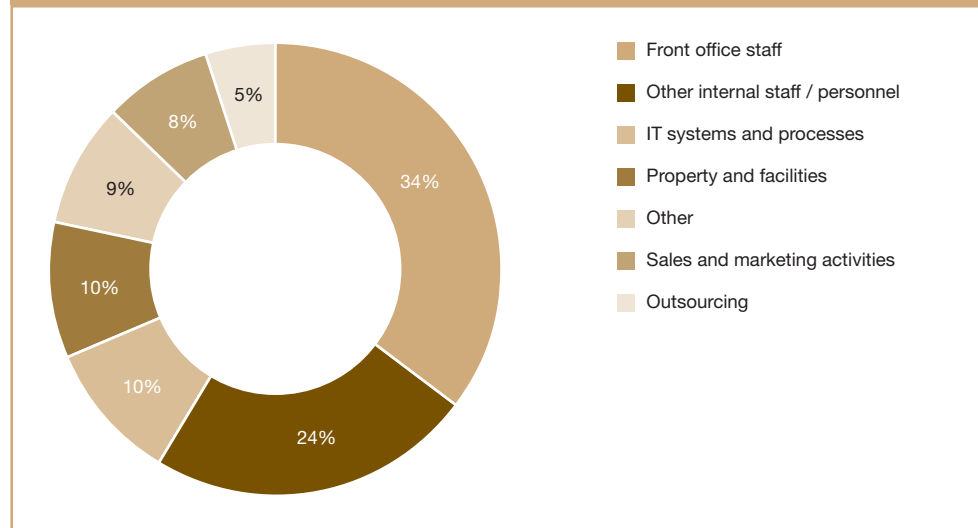
In addition, clients require much more time and attention from their CRM. Poor performance needs to be explained and efforts to retain clients intensified. These developments should not have come as a surprise to most veterans of the industry, since wealth management is not a pure growth business, but is exposed to significant cyclicity. The last downturns (the oil crisis, the internet dotcom bubble and several local crises) and their repercussions ended the independence or the existence of a number of small and mid-sized wealth managers.

To make things tougher, the relatively fixed cost base of institutions cannot easily be adjusted in the near term. The effective wealth manager would first start by looking at the largest cost block, which is the front office (see Figure 1). Cutting there could, potentially, expose the wealth manager to the risk of further client attrition, since fired CRMs might take some of their clients with them. This could also threaten to overload the remaining client advisors and further exacerbate revenue decline.

Our Survey suggests, however, that the large majority of CRMs take significantly less than 40% of 'their' client assets when they change employer. This is significantly less than the perception in the industry.

In the back-office, costs are largely fixed and therefore controlling unit costs is challenging. The only meaningful way to reduce cost would be to close down locations and centralise or outsource back-office activities. Such an exercise could, however, prove very expensive in the short term and pay-offs might arise only in the distant future, if at all.

Figure 1: The cost distribution of an average wealth manager



Source: PricewaterhouseCoopers

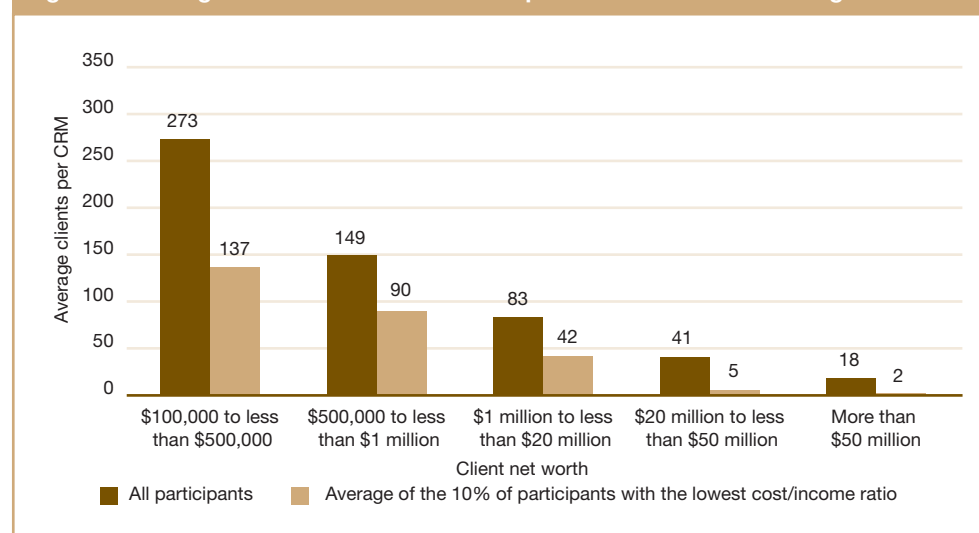
The best way to escape from this cost trap is to grow through acquisition of new clients or increasing the share of wallet from existing clients. In the current environment, where most markets are contracting and competition is fierce, this is something of a predicament. There are, however, still wealth managers that were able to grow in 2008, mainly through growth of share of wallet from existing clients. This shows that a good client relationship rewards even in difficult times.

The wealth managers with the best performance, however, poached CRMs twice as much as the average.

Smaller wealth managers have a unique opportunity to profit from the damage to large global wealth managers, hit by the current financial crisis. Indeed, across the industry we see CRMs both moving to rivals and starting up their own boutiques.

For most wealth managers, new ways of regaining acceptable levels of performance have to be found. What has determined the winners and the losers of the present crisis? Many things have been said in the marketplace. But what is myth and what is real? Our respondents highlighted several key elements of future success.

Figure 2: Average number of clients served per CRM across wealth segments



Source: PricewaterhouseCoopers

Taking care of the client pays dividends. The most profitable wealth managers have significantly lower ratios of clients per CRM in all wealth segments.

Putting the client first

A wealth manager's core business is to develop and cultivate the client relationship, but very few firms can truly live up to that promise. Our Survey shows that the most profitable wealth managers have significantly lower ratios of clients per CRM in the different client segments (see Figure 2), which shows that taking care of the client really does provide its own rewards.

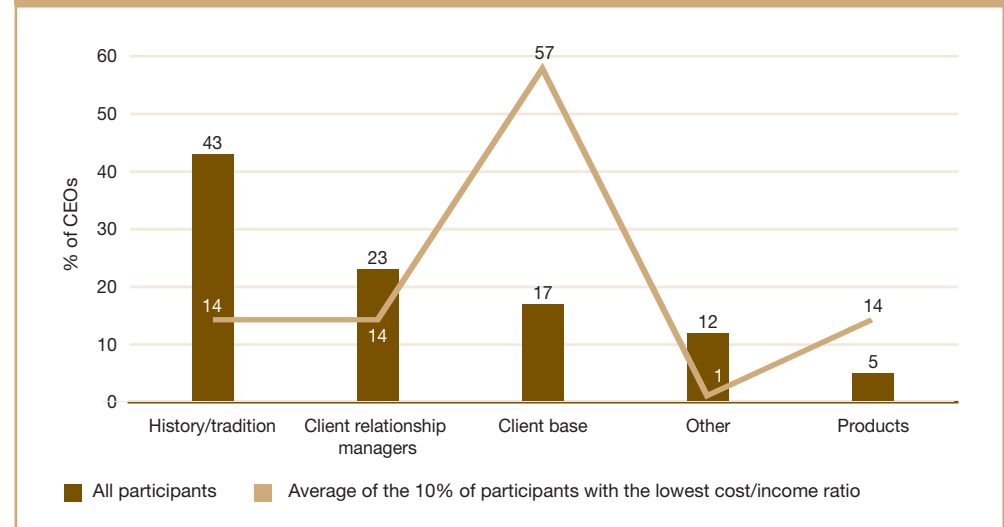
In a crisis context, the main concern should be the sustainability of the client relationship. This goal can be achieved more easily, if the client base is clearly defined and clients feel emotionally attached to the CRM. Clients must, therefore, be placed at the core of business models. Servicing strategies must address specific client segments, with differentiated offerings and effective delivery channels.

Furthermore, CRMs need to develop much stronger advisory skills, as well as raising their knowledge in areas such as tax and risk. Long-term remuneration and management development packages must be redesigned to encourage responsible behaviour and delivery of consistently good client advice.

Brand is key

Brands in wealth management are usually built up over time, often steeped in history and rich with tradition, showing a long and successful track record in the industry. Brands must convey a feeling of security to their clients that allows them to commit their money to an entity existing for decades, or even centuries. The majority of the most efficient and fast-growing wealth management firms in our sample, however, define their brand mainly through their client base (see Figure 3). A strong, brand-defining and marketable client base is an important success factor for wealth managers.

Figure 3: What are the most important factors driving your organisation's brand value?



Source: PricewaterhouseCoopers

Successful wealth managers use a strategy of differentiation and emotional elements to market their brand, as opposed to only stating who they are and what they do. There is a need to be more than exquisite premises, walnut panelling and crystal – it is about trust, security and performance. In an industry where trust is the foundation of the business, winning players consistently rely on a strong brand. The financial crisis has shown us the soft underbelly of a strong brand: it takes decades to build but can be destroyed in a moment.

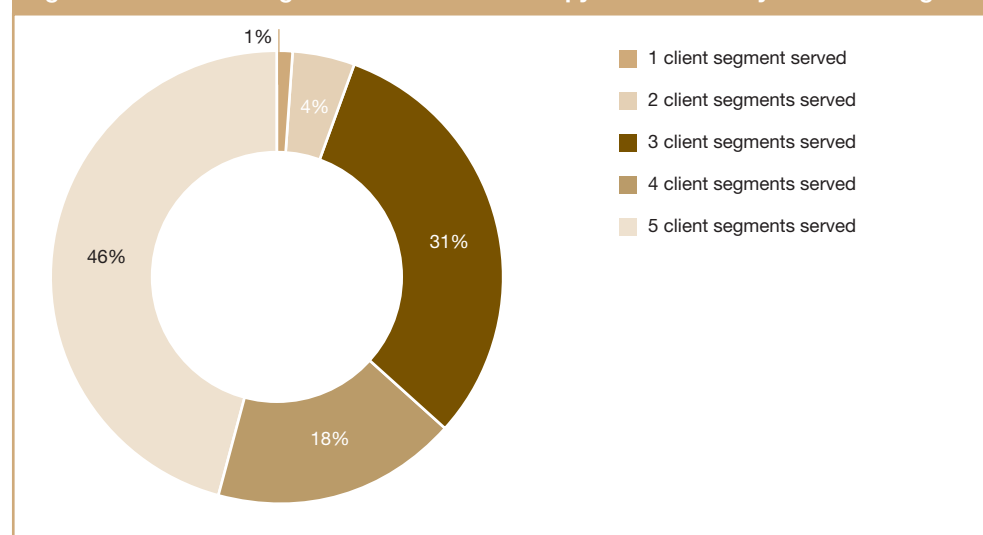
Size really does not matter

Many claim that economies of scale help in building a high performance wealth management organisation. Our Survey suggests very clearly that there is no direct link between size and profitability (in terms of cost/income ratio). How large an organisation is has little bearing on how profitable it is and size simply for size's sake does not appear an attractive goal for wealth managers to pursue.

That said, many wealth managers still consider growth attractive. Almost two-thirds of CEOs place acquisitions in their growth strategy for the next two years. Interestingly, these acquisitions are limited to the home markets. Very few respondents envisage acquisitions across borders, preferring to probe new markets by sending CRMs on visits. In the new era of tightened regulations, the fly in/fly out model increasingly appears questionable.

Cross-border expansion could also expose wealth managers to additional regulatory and tax risks. In general, acquiring another wealth manager might not always be the best option to take capacity out of the market, since synergies are not always obvious.

Figure 4: Number of segments within the wealth pyramid served by wealth managers



Source: PricewaterhouseCoopers

The financial crisis has exposed the soft underbelly of a strong brand: it takes decades to build but can be destroyed in a moment.

Stick to the core segment

Many wealth managers have adopted an opportunistic catch-all strategy covering a broad range of client segments. 46% of wealth managers provide services across the five wealth segments (see Figure 4). Profitability of the segments varies considerably. However, our respondents clearly state that the segments of wealth management covering clients from US\$ 0.5m to US\$ 20m, are most profitable (see Figure 31 on page 49 for wealth pyramid). This raises the question: what has happened to ultra high net worth (UHNW) and very high net worth (VHNW) individuals (AuM >US\$ 20m) as well as affluent clients (AuM <US\$ 0.5m)?

The affluent boom of the late 1990s seems to be declining. Wealth managers have realised that their over-serviced clients often add little to profitability. The hopes that their AuM would grow, allowing organisations to see this segment as a captive channel for core wealth management, were rarely justified, and the segment has become even less attractive during the crisis. At the other end of the client range, UHNW and VHNW individuals should be seen almost as small institutional clients in terms of both

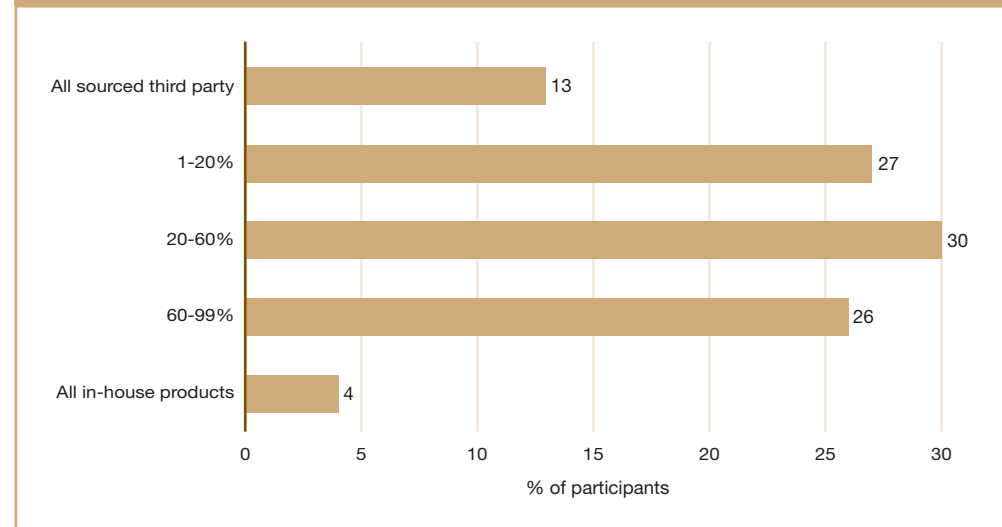
required sophistication and demand for lower margins. For catch-all players, UHNW and VHNW individuals might add to a wealth manager's prestige but not necessarily to profitability. Wealth managers seeking to operate in these segments must have the necessary scale, systems and product mix to do so profitably.

Overall, organisations must continually optimise the profitability for each segment: products/services mix, staffing ratios and level of operational support.

Products – quality advice is required

Most wealth managers offer a wide variety of products and services. They buy most of these from other providers, although they produce some themselves. Indeed, 4% of respondents even claim to produce all offered products in-house (see Figure 5). Our Survey suggests that wealth managers producing their own products are not necessarily any more profitable than the pure 'product sourcers'. Additionally, in-house products bear the potential dangers of conflicting interests and higher reputational risk.

Figure 5: Percentage of products currently produced in-house by wealth managers

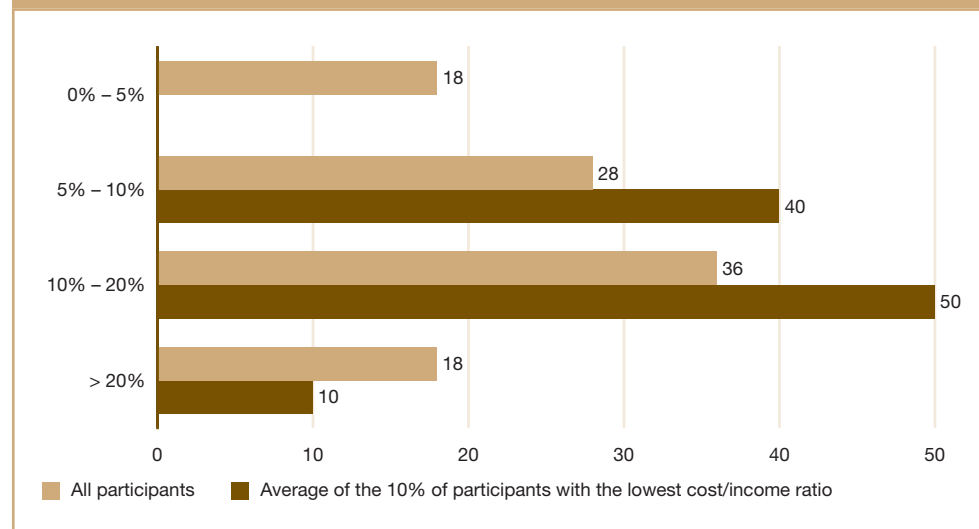


Source: PricewaterhouseCoopers

The crisis shows us that high-margin products, often produced in-house, can be too complex for both CRM and client. If complex and specific products (eg, absolute return products) have a very negative performance, not only the client, but also the wealth manager can suffer, since reputation is ultimately at stake.

Open architecture combined with quality, independent advice increasingly seems to be a value-adding proposition for both the client and the wealth manager. If products are manufactured in-house, they must address a specific market or client need and should be fully aligned with the strategy and the specific client base of the organisation.

Figure 6: In your opinion, as CEO, by what percentage can your organisation cut its operating costs?



Source: PricewaterhouseCoopers

Among the most profitable respondents, CEOs consider they can cut more than 10% of their operating costs.

Attacking your cost structure

The easiest way to address challenges to profitability seems to be an increased emphasis on cost cutting. Most CEOs report the potential to cut costs by 5% or more in their own organisations (see Figure 6). Among the most profitable respondents, 60% of CEOs indicate they can cut more than 10% of the total cost, which would increase their profitability even more.

However, just saving cost is not enough. A crisis is a unique opportunity to rethink the array of issues surrounding services and clients, and to decide which ones add value to the business and which ones do not.

It is an opportunity to manage out activities and services that do not add value and to focus more consistently on the needs of profitable clients. In addition, it is an opportunity to address the cyclical nature of the wealth business. Cost structures need to be made more flexible, allowing wealth managers to adapt quickly not only to market upturns, but also to downturns.

Given the cyclical nature of financial markets, one can be sure that fortunes will always ebb and flow. Attacking the structure of costs is not easy, but it could be the best way to be prepared for whatever the future has in store.

Client service – disciplined segmentation lifts quality

02

Servicing strategies must define and address specific client segments, with differentiated offerings designed to support clients' needs throughout all stages of their lives. Disciplined segmentation will not only help wealth managers tackle today's client service challenges, but also allow services to be offered to specific clients in a more cost-effective manner.

After a slump in asset prices and a number of investment scandals, many wealthy clients have lost significant trust in their customer relationship managers (CRMs) and their institutions. Clients are demanding higher standards of service from their wealth managers. If they do not receive this service, they are far less forgiving.

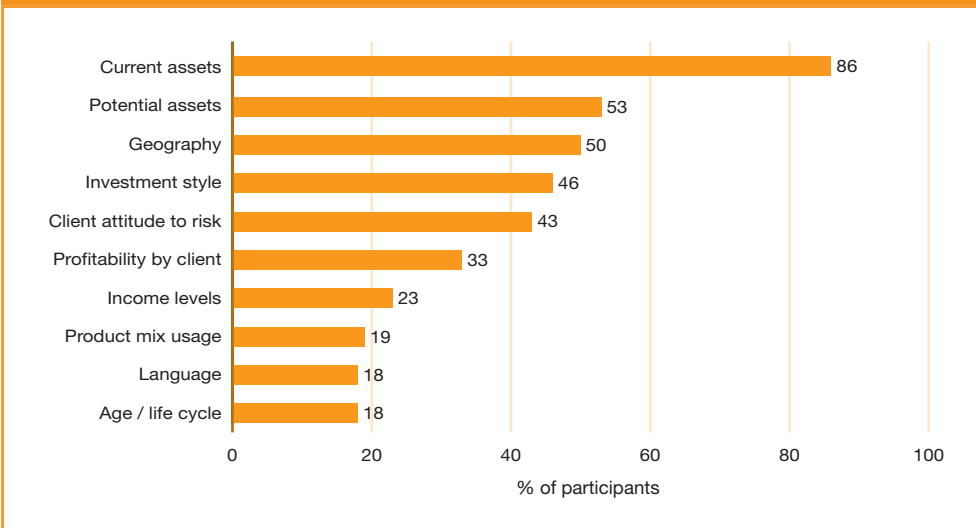
Indeed, indicating the client's degree of scepticism about the quality of CRMs' advice, 53% of the private clients we surveyed said that their primary source of financial advice was now their own independent research and knowledge.

Faced with such difficult client perceptions, wealth managers need to significantly raise their standards. They must focus on placing clients at the very heart of their business models.

Disciplined segmentation of the client base, accompanied by tiered service offerings, is an ideal way to do so.

By differentiating between the needs of the diverse wealth segments, and thoroughly understanding them, wealth managers can significantly improve their ability to give clients the high levels of service they require. Yet while our Survey shows wealth managers are becoming increasingly more sophisticated when segmenting their clients, only 19% match this with distinct tiered offerings – clearly this provides an opportunity for further evolution in the quest to meet clients' expectations.

Figure 7: In segmenting your organisation's client base, what criteria are you currently using?



Source: PricewaterhouseCoopers

Tailoring services to well-defined client segments

Servicing excellence depends on CRMs' abilities to capture and to understand client needs and expectations. Here, our Survey shows increased sophistication. While 86% of respondents are still segmenting their client bases according to

current assets, many respondents are now applying behavioural criteria, such as 'investment style' or 'attitude to risk' (see Figure 7). This is an increase of more than 40% since 2007 and represents a clear step forward because it gives CRMs a far more complete and multi-dimensional picture of clients' values and behaviours. We also report the increasing use of

'potential assets' as a key element of segmentation. This demonstrates the increasing importance of segmentation for clustering client relationships according to their revenue potential and calibrating servicing levels accordingly.

When addressing varying client needs, wealth managers indicate that they serve distinct client bases. For example, the highest wealth segment is a very concentrated asset pool, representing 13% of respondents' assets under management (AuM), with just 5% of clients holding these assets. In contrast, the lowest two segments (US\$ 100k to US\$ 1m) represent 60% of the global client base and account for 39% of AuM.

The core segment of wealth management (US\$ 1m to US\$ 20m) is represented by 36% of AuM and 28% of clients.

Family offices and multi-family offices are more difficult to define. While at a macro level they are the very top of the wealth pyramid, they are often not included in routine analysis when viewed at individual levels. Obviously, these distinct wealth bands have considerably different servicing needs, while representing a rich and diverse set of relationships.

There are also variations by the maturity of wealth and also by geography. Entrepreneurs account for a rising proportion of clients – an average of one third of our respondents' client bases. They tend to be the most sophisticated and demanding clients, whereas inheritors are often more conservative and focus on advice about transferring wealth between the generations.

Interestingly and as a highlight of the changing multi-polar nature of financial services as global wealth shifts eastwards, Asia Pacific appears to have the highest share of entrepreneurs at 43%. Inheritors have greater importance elsewhere, especially in the EMEA region where they represent 24% of clients and continue to be a major source of opportunity.

While the wealth pyramid is more diamond-shaped in Asia Pacific, with participants servicing mostly High Net Worth and Very High Net Worth individuals, it is more traditionally pyramid shaped in EMEA and the Americas, where the percentage of mass affluent clients is higher.

Figure 8: Which of the following are the most important strategic areas on which you as CEO currently spend time?

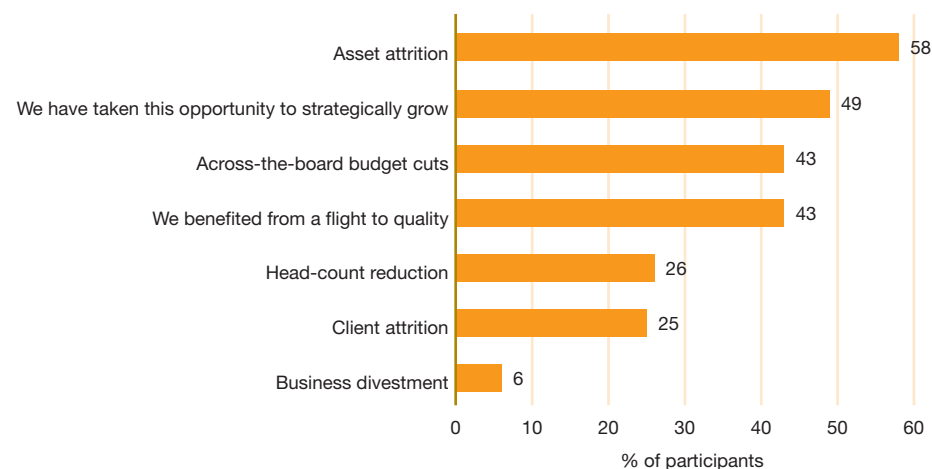


Source: PricewaterhouseCoopers

This highlights the difference between an Asia-Pacific market mostly driven by first and second generation wealth and the maturity of the US and EMEA wealth management markets. Correspondingly, we also observed differences in the investment goals of the wealthy according to their geographical origin.

With client acquisition and retention now topping Chief Executive Officers' (CEOs) agendas (see Figure 8), we contend that rigorously defining client segments and providing tiered service propositions that are profitable and of high quality will help wealth managers to tackle today's client service challenges.

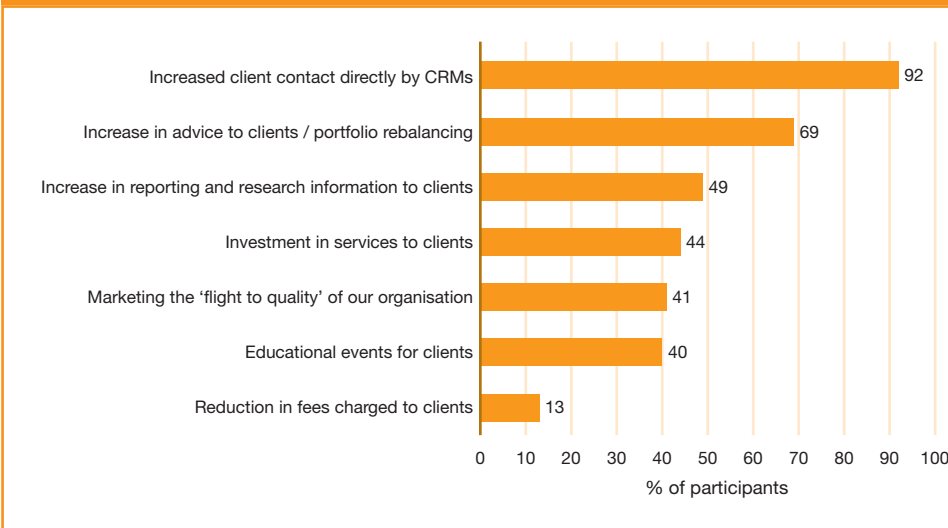
Figure 9: How has the current economic crisis impacted on your organisation?



Source: PricewaterhouseCoopers

Client attrition has been reported by 25% of respondents while 43% have benefited from a flight to quality.

Figure 10: Given the current global economic crisis, what have been your organisation's tactics to retain clients?



Source: PricewaterhouseCoopers

Clients are rewarding high-quality and trusted service

For all wealth managers reviewing their 'go-to-market' strategies, our Survey indicates that CRMs are struggling to provide sufficiently high levels of client service. With our participants ranking reputation and word of mouth as the primary reasons why new clients join them and the source of 53% of net new clients, there is clearly scope for improvement.

Client referrals have, traditionally, been the reward for excellence in relationship management and their importance will continue to rise, especially as clients continue to seek asset protection and trusted relationships. Clearly, failure to understand client needs today is likely to result in a loss of market share tomorrow.

Client attrition has been reported by 25% of respondents, while 43% claim to have benefited from a flight to quality over the period surveyed – indicating that some, but not all, wealth managers have suffered from a combination of brand attrition and ineffective client service (see Figure 9). Gains in some cases are a result of

unannounced transfers of assets by concerned clients. Indeed, following recent investment scandals, referral networks have become somewhat brittle in the face of greater demand for transparency and increased due diligence.

More contact with the client is today's most common retention tactic. More than 90% of wealth managers surveyed have seen their CRMs increase interactions with clients and for 69% of organisations the frequency of advice to clients has increased (see Figure 10). Some 49% are providing clients with additional insights on market trends and product performance, while just 13% have reduced fees – confirming that in the current market pricing is not a primary differentiator.

Evidently, few wealth managers are using proactive tactics to address issues arising from the crisis, as only 55% of respondents appear to have formal client retention programmes – a dangerous omission in current market conditions. Informal communication with CRMs remains the key metric for measuring client satisfaction, followed by the reactive monitoring of client complaints.

When we surveyed private clients, 59% reported that they were rarely asked to comment on the quality of service they received, while 35% said this only happened about once a year. Prospective client relationship management is a far more effective tool than after-the-event analysis of why assets were lost.

But are these tactics enough to ensure clients' loyalty? No they are not, as only 38% of respondents are able to retain more than 50% of assets upon inter-generational wealth transfer. Systematically capturing client disengagement signals not only limits attrition but can also improve client revenue potential.

Even though CRMs are spending more time today contacting their clients (40% of their time against 30% in 2007), 65% of them regard this as insufficient to provide an adequate level of service. This is a major threat in a client-driven market, where the front office needs to demonstrate better than ever before that it genuinely understands client needs, and has the ability to increase share of wallet on a trusted advisor basis.

Our experience confirms that in wealth management CRMs will not be able to elevate service levels sustainably without significant investment. Such investment should support a true client-centric organisation that addresses multiple channels with robust front-office technology tools.

Few wealth managers are truly client-centric

Market turbulence has caused clients to switch their goals from investment performance to wealth preservation. This is the essence of 'Nouveau Classic' banking. Consequently, clients now expect more attention, keener insight and much greater transparency. Quite simply, they

want their needs and expectations taken care of and are less tolerant when this does not happen. For their part, wealth managers are striving to bridge any expectation gaps, retain clients and optimise revenues.

Our Survey shows that client-centric servicing can successfully satisfy both the client and the wealth manager.

Yet this year's Survey also reveals a gap between CRMs' perceptions of excellence and the reality of delivery. This is illustrated in an analysis of those respondents that believe in being client-centric and those that really are. For example, although the majority of CRMs believe they have reached 'trusted advisor' status, some 20% admit they do not completely understand client expectations and investment objectives.

The benefits of focusing on client requirements are clear, as 64% of respondents report that doing so has a positive influence on gross margins. In our view, these discrepancies highlight the difficulties some players have in clearly understanding their clients and building sufficiently client-centric models.

Wealth managers must, therefore, work to understand their current and target client segments, leveraging business intelligence and management information to better appreciate investment patterns, share of wallet, channel preferences and profitability. Only through rigorously evaluating their existing client base, and ensuring that clients are placed in the appropriate segments, can wealth managers truly optimise their segmentation strategy.

With CEOs identifying the strength of client relationships as their organisations' main differentiator, and the majority of our Survey respondents appearing not to tier their product offerings to clients effectively, the potential for improvement can not be ignored.

PricewaterhouseCoopers Viewpoint: Transparency – the new gold standard

We see the move to greater transparency as a part of the critical shift to more holistic client service and a much more proactive level of risk management reporting around private clients' wealth. We believe this shift will define successful client relationships in the new era. Clients will demand transparency in how wealth managers keep them apprised about their wealth, their holdings, and how these are being transacted, processed and managed. We see transparency as the new currency that clients will use to judge whether wealth managers are delivering true value as trusted advisors.

In essence, transparency is about different types of data and information, viewing wealth from the client's point of view, and putting the two pieces together. Private clients tell us that they want their wealth managers to "...treat my money as though it were their own". Transparency will ensure that clients see a much richer degree of detail and a more immediate perspective on their wealth.

Clients across all wealth segments are asking for a more comprehensive view of their personal balance sheet and net worth. For wealth managers, this means increasingly moving from data-specific and 'end-of-cycle' reporting to near real-time client information flows. Transparency includes comprehensive client reporting of advanced analytics (risk, forecasting, customised benchmarking and other balance sheet level types of analyses) matched to specific client needs and delivered through effective channels, including online. The more complex a client's wealth profile, the more important a truly transparent perspective becomes to ensuring that a wealth manager will meet their clients' expectations.

The service expectation is clearly around sharing greater and more detailed information about market, credit and operational risks. We see clients seeking increased assurance from wealth managers. They are looking for answers about the integrity of networks, personal data and security, as well as the soundness of processing counterparties. Wealth managers are struggling to decide how to respond to these client demands for increasingly greater insights around the strengths and weaknesses of often globally distributed processing. Increasingly, we see risk management being extended to capture more data around operational performance.

This shift also manifests itself in changes to investment vehicle preference. Aggregated reporting and a rise in tailored product vehicles such as wrap accounts globally, and separately managed accounts particularly in the Americas, are all a response to demand for vehicles that can be identified as belonging to specific clients. These represent a significant evolution from traditional point in time 'snapshot reports' of pooled client information. The real wake-up call for wealth managers is

that preparing themselves for this kind of client interaction and reporting will take time and require investment.

Going forward, wealth managers will face increased challenges around how they manage the cost and efficiency of different service delivery options. Clients of wealth managers are already sharing their frustrations. They tell us in the Survey, they would "like to receive statements more regularly and.... ideally online". These challenges are in reality choices around cost, and the level and quality of what is delivered to specific client segments at all levels of the wealth pyramid. Clearly one size does not fit all. Wealth managers will have to make tough business decisions around which client segments get which services and where to best deploy robust tools and expensive data.

All 'interested parties' – clients, stakeholders, regulators, investors and governments – want to better understand the quantitative and qualitative aspects of transaction processing. Interestingly, it is governments that ultimately might drive the move to greater levels of transparency as part of their asset remediation programmes with their demands for new and different kinds of information.

It is not just quantitative valuation information but also insight into the circumstances, potential risks and fiscal health of those providing service throughout the transaction and investment lifecycle. Transparency also encompasses qualitative factors around the strategies wealth managers use to protect their clients' assets in vulnerable market situations. The days when end-of-month statements and paper-based reporting around positions would serve as acceptable levels of client service are gone. The reality of today's new era is that transparency will come to define brand in terms of winning new business and retaining assets.

Products and services – delivering 'Nouveau Classic' banking

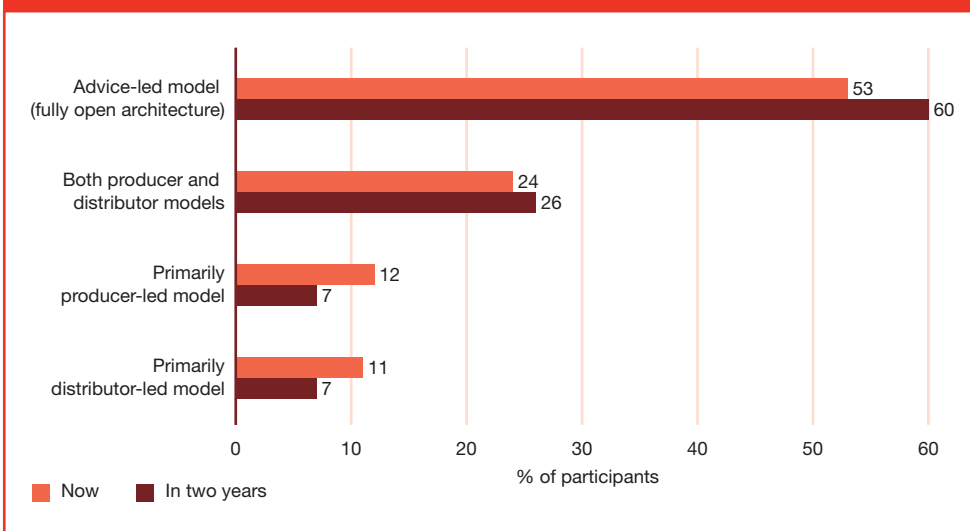
03

Wealth managers are seeking to redefine trusted advisor status. In the wake of investment frauds, transparent product offerings, together with robust suitability and due diligence processes, are critical not only to drive customer value but also to protect the reputations of wealth managers. Product and service offerings need to be clearly aligned with client preferences and financial goals, while also being operationally efficient for the wealth manager.

Respondents recognise that becoming the client's 'trusted advisor' is the best way to acquire and retain assets in today's volatile environment. Some 60% of Chief Executive Officers (CEOs) anticipate moving to an advice-led model with a full open architecture for externally sourced products within the next two years, contrasting with the 53% that use this approach today (see Figure 11).

With open architecture increasing commoditisation and driving down fee levels, CEOs are doing what they can to protect profitability. For this reason, 26% of CEOs believe they will still leverage a combination of producer/distributor models. By bundling proprietary and third-party products together – assuming in-house investment performance allows this – CEOs can avoid paying away margins to third-party product providers.

Figure 11: Which of the following best describes your business model, now and in two years' time?



Source: PricewaterhouseCoopers

Globally, clients currently favour more transparent and less risky products with lower margins. For wealth managers, there are some ways of mitigating the damage to profit margins. For example, our Survey shows some specialist investment products, which tend to be higher margin, are growing in popularity for specific clients. There is also some evidence that respondents are beginning to charge for advice. Furthermore, we have found that some wealth managers are seeking to increase the efficiency with which they deliver products and services.

Where it is profitable to do so, wealth managers are also making family office-type offerings available to less affluent clients while still seeking to exploit the potential of the concentrated assets of Ultra High Net Worth clients and family offices.

Yet the trusted advice part of this new model remains elusive. As our Survey reveals, only 53% of client relationship managers (CRMs) believe they have attained trusted advisor status. Aware of the need to improve the quality of advice, wealth managers are increasingly concentrating on ensuring that consistently high-quality advice lies at the heart of every client relationship.

Putting advice first

There is a trend for wealth managers to move from transaction-driven to advice-driven businesses, with a likely associated shift from commission-based revenues to fees. In certain markets, and especially for the lower end of the wealth pyramid, they are creating new advice-centric processes. While there is no single standard model, these processes often include:

- Comprehensive and recurring financial planning;
- Robust up-front and ongoing investment product due diligence;
- Customised portfolio modelling;
- Crisp statements of goals and objectives; and
- Comprehensive client reviews, facilitated by aggregated reporting.

Through doing so, these wealth managers aim to improve both their clients' results and their own profitability. For example, a large US-based institution recently found that where CRMs made financial planning the cornerstone of client relationships,

Figure 12: What do you, as CEO, consider to be your organisation's current top differentiating factors?



Source: PricewaterhouseCoopers

they generated more revenue with lower rates of attrition.

Such advice processes reinforce the 'strength of client relationships' that CEOs identify as their organisations' foremost differentiating feature (see Figure 12). They cite brand value and quality of CRMs as the second- and third-most important differentiating factors for wealth managers.

By contrast, respondents viewed 'dissatisfaction with service/advice received' as one of the main reasons for client attrition.

For less wealthy clients, wealth managers are increasingly directing that CRMs follow specific advice-centric processes. At the same time, they are investing in front-office technology and leveraging more

inexpensive support staff to optimise CRM productivity. Comprehensive financial planning processes are increasingly becoming the foundation of client relationships, and include ongoing reviews for changes in goals and circumstances.

In this way CRMs, and wealth managers as a whole can have more effective tools for managing and growing client relationships. Furthermore, wealth managers are, increasingly establishing explicit guidelines supporting how client portfolios will be managed. These essentially document and formalise the 'trusted advice' process.

In selecting products that fulfil target allocations, wealth managers are seeking to develop robust client suitability and due diligence processes. The goal is to ensure that recommended products are suitable from both risk and fit perspectives. It is critical that wealth managers continue to develop these processes in the wake of recent high-profile incidents in financial services.

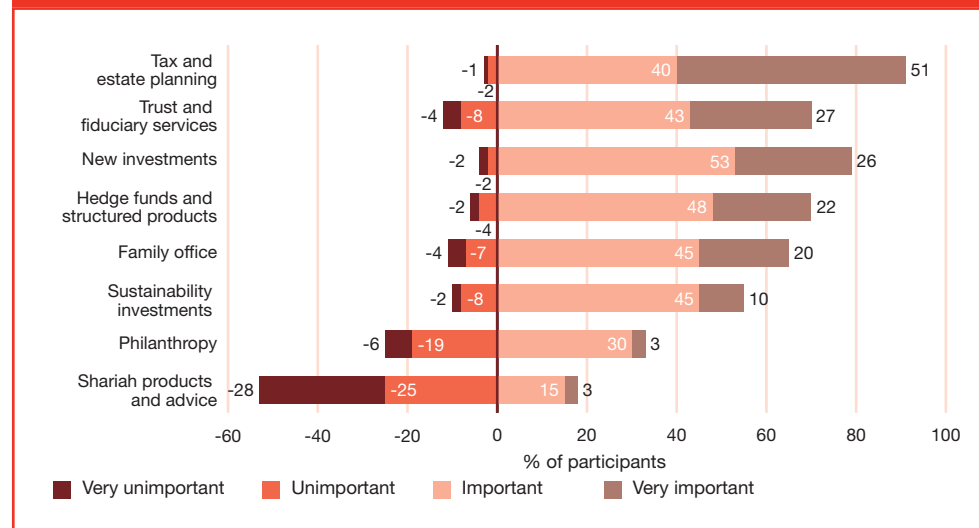
Meeting client demands for transparency

The natural consequence of more open architecture and advice-driven business models is greater transparency. The financial turmoil and various investment scandals have highlighted operational risk issues never considered before. As a result clients are demanding transparency at a level never considered before.

Clients want greater disclosure around areas such as products, services and business relationships. As far as products are concerned, wealth managers are increasingly avoiding more esoteric and less liquid products such as derivatives or alternative vehicles. Consequently, these products are less likely to be found at the core of client portfolios – instead they tend to be used more as diversification tools.

In terms of business relationships, clients want to know more about operational details that were rarely considered before. Which organisation, for example, has custody of their assets? What is the creditworthiness of that organisation? What are the implications of the terms of the custody agreement?

Figure 13: How important do you, as business head, rate the following product/service offerings in terms of serving your clients over the next two years?



Source: PricewaterhouseCoopers

For wealth managers, this adds a layer of due diligence. They need far more detail than ever before about the operational and counterparty risks of the products in which they invest client assets.

Developing tailored products

With open architecture meaning that similar products can be available to many institutions there is increased downward pressure on fees. To differentiate their offerings, wealth managers need to tailor their product offerings to specific client needs and segments. For example, some

In the wake of recent scandals, wealth managers are seeking to develop robust due diligence processes to meet the increasing demands of clients for transparency.

are putting emphasis on entrepreneurs, professionals and specific ethnic groups, as well as retirees and their beneficiaries.

Wealth managers that do so effectively will deliver and meet clients' needs and achieve greater asset stickiness for their organisation.

In our Survey, 87% of CEOs say they regard inter-generational products and services to be a priority and 68% consider retirement products to be key. Providing estate- and trust-planning services and vehicles, and identifying and understanding the target beneficiaries' investment preferences and risk tolerances will be crucial to wealth managers. There is clearly room for improvement in capturing inter-generational wealth transfers, with just 38% retaining more than 50%.

Socially conscious investing is a growing investment theme: 55% of respondents view sustainability products as at least 'important' over the next two years (see Figure 13).

Just 18% regard investments complying with Islamic Shariah law as at least 'important', but based on what we observe in the

activities of several large global players, their importance appears likely to grow.

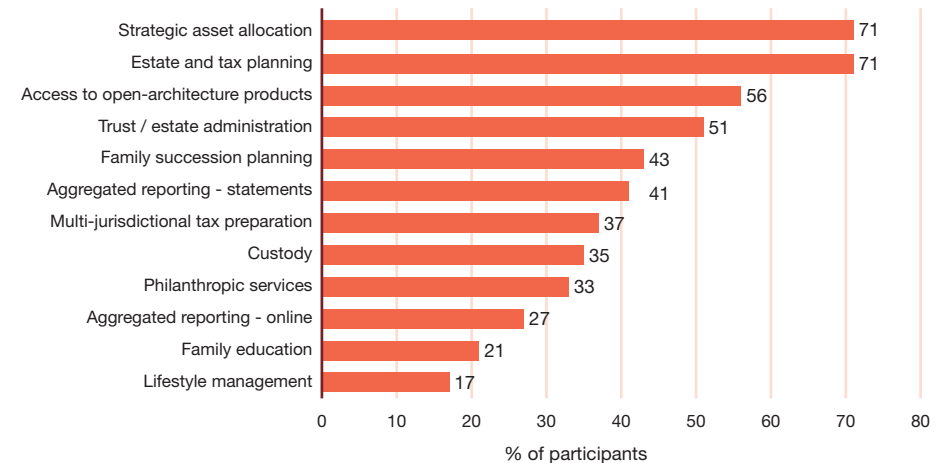
Wealth managers targeting specific segments, particularly the mass affluent, are looking to combat fee pressure through products that are operationally efficient and inexpensive to distribute, while being transparent and clearly aligned with client preferences and financial goals.

Providing high-value products and services

In addition to the core advice processes wealth managers employ to achieve trusted advisor status, many are offering an array of supplementary services. Targeted at specific segments of clients, these offerings aim both to improve trust and to create additional revenue streams.

For example, 37% of respondents have developed products and services tailored to family offices. Family offices, together with the Ultra High Net Worth and Very High Net Worth segments, are also being targeted with separate and distinctly branded offerings such as aggregated reporting for transparency and risk management.

Figure 14: Which of the following services has your organisation invested in providing to family offices?



Source: PricewaterhouseCoopers

Furthermore, to address family hierarchies and the importance of catering to beneficiaries, some wealth managers are offering 'softer services' such as family education, succession planning and 'lifestyle management' (see Figure 14). In some markets such as the US these services are increasingly being offered online, which we see as a significant and

growing area of opportunity for wealth managers as they embrace emerging family relationships. In terms of execution, only 7% of respondents have partnered with family office technology vendors but this trend is likely to increase.

The people agenda – a new strategy required

04

Today's economic crisis presents challenges for which Client Relationship Managers (CRMs) have neither the experience nor the training. If quality of advice is to be the real differentiator, CRMs need to develop stronger advisory skills, as well as expanding their knowledge in areas such as tax and risk. As governments and regulators drive change in reward structures, long-term compensation and development packages must encourage client-centric behaviours and CRM loyalty.

People management practices need to be reviewed to ensure that appropriate training is provided and, where possible, experience can be hired to help navigate through these turbulent times. If quality of advice is to be the real differentiator, wealth managers need to provide CRMs with relevant tools and skills – and do so quickly.

The people agenda needs to remain one of the priorities of senior management to ensure a sustainable foundation for growth. Success will depend on how well businesses can adapt to the new economic environment and provide their CRMs with the right incentives to develop and deliver client-centric behaviours over the long term.

Demand for CRMs becomes less urgent in the short term

With Chief Executive Officers (CEOs) fighting to salvage the reputations of their organisations and retain disillusioned clients, the people agenda is no longer a top priority – in the short term at least. Acquisition and retention of talent has fallen from being their number two priority in 2007 to seventh today (see Figure 8 on page 18).

Falling profits have dulled demand for CRMs in the front office. As a result of the increased need for CEOs to focus on operational issues, such as improving finance and risk functions, there is a need to hire better quality middle- and back-office staff to manage these functions. Making these functions increasingly robust will support credibility with clients in the long term.

Figure 15: Expected average increase/decrease of CRMs over the next two years

Global	Decrease of 24%
EMEA	Decrease of 45%
Asia Pacific	Decrease of 17%
The Americas	Increase of 1%

Source: PricewaterhouseCoopers

There is no longer a danger that an inability to recruit sufficient CRMs will slow business growth. Consequently, demand for CRMs is expected to fall by 24% globally over the next two years (see Figure 15). Regionally, EMEA and Asia Pacific are anticipating falls of 45% and 17% respectively, while the Americas

are expecting a negligible increase of 1%. This is in stark contrast to 2007, when demand for CRMs globally was expected to grow by 32% over two years.

Generally, the fall in EMEA can be explained by the fact that recruitment of CRMs there was more aggressive than elsewhere during the boom years, thus the

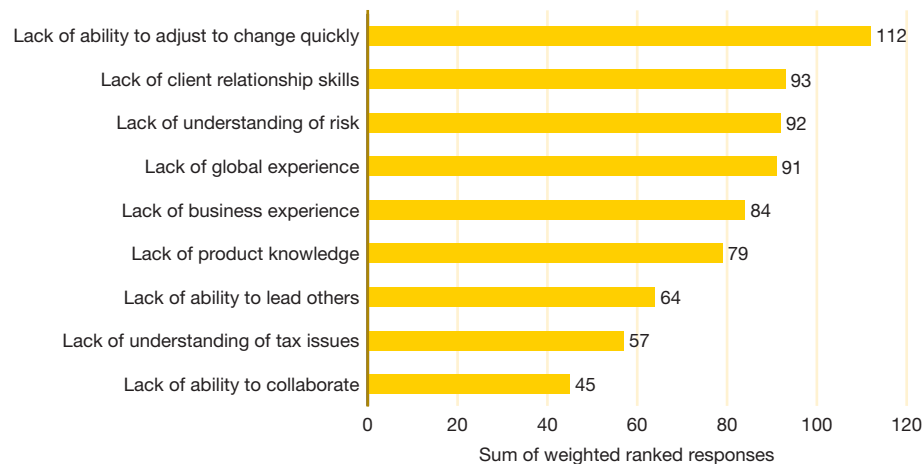
economic slowdown has created a far greater need to reduce headcount. That said, evidence from the industry suggests recruitment is not following any regional trend but is firm-specific at present, reflecting an organisation's ability to perform through the crisis.

Clearly the balance of power has changed, and currently rests with employers and potential employers. For those wealth managers still hiring, and many are, the focus is on selective poaching of CRMs who have the talent and experience needed to navigate through these difficult times. From a defensive perspective, wealth managers need to be careful to retain such valuable individuals.

The CRM perspective: re-skilling is essential

Many CRMs have neither the experience nor the training to deal with the challenges that today's economic crisis brings to wealth management. Aside from the obvious difficulties of managing volatile investment portfolios, their communication skills have been found wanting as they have to deliver bad news to clients and

Figure 16: In your opinion, as business head, what are the areas of greatest weakness for your organisation's CRMs?



Source: PricewaterhouseCoopers

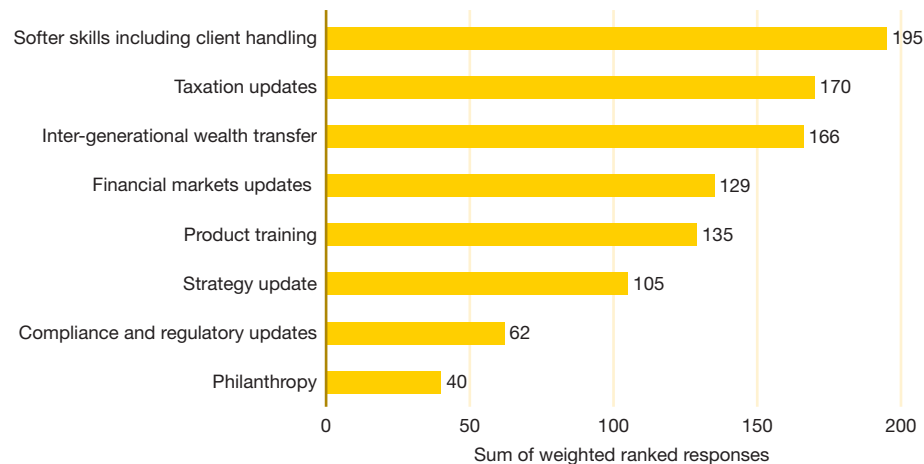
respond to mounting frustration and increasing demands for greater transparency.

Given this backdrop, it is perhaps not surprising that wealth managers identify the three most common areas of weakness for CRMs as an inability to adapt to change, lack of client

relationship skills and poor appreciation of risk (see Figure 16).

Indeed, CRMs realise they have shortcomings. They identify client relationship skills and taxation as the two areas where they would most like to receive additional training (see Figure 17). Considering that CRMs expressed the

Figure 17: In which of the following areas would you, as CRM, like to receive further training over the next 12 months?



Source: PricewaterhouseCoopers

same view in our 2007 Survey, it is clear wealth managers need to review their training programmes.

CEOs recognise the weaknesses of their CRMs, with only 20% considering their CRMs of high calibre in meeting the needs of clients. Indeed, more than a quarter of CEOs confess that their CRMs are of only

average ability. Given that CRMs are the public face of their organisations and that, after history and tradition, even CEOs recognise them as the most important drivers of brand value, this is a very troubling statistic. Evidently, this is another indication that CRMs' training and development programmes need to be revised and strengthened.

The three most common areas of weakness for CRMs, cited by business heads, are: their inability to adapt to change; lack of client relationship skills; and a lack of understanding of tax.

Yet the number of days CRMs spend on training has dropped, with 43% saying that they receive fewer than five days' training in a year, against 34% in 2007. Such a cut in training is understandable when budgets are under pressure. However, the quality of CRMs has never been more important. If quality of advice is to be the real differentiator, wealth managers need to improve their CRMs' skills – and quickly.

To their credit, CEOs do appear to recognise this need for investment in CRMs. Some 95% of them back the development of a specific wealth management qualification. Indeed, they name graduates with wealth management qualifications as the second most preferred source of recruitment for the next two years, after poaching from competitors.

Talent needs to be nurtured for the long term

While training is important, the broader issue of long-term talent management cannot be ignored, even in these turbulent times when there is a strong urge to focus on short-term survival. Market evidence is that morale at many wealth management companies is at an all-time low.

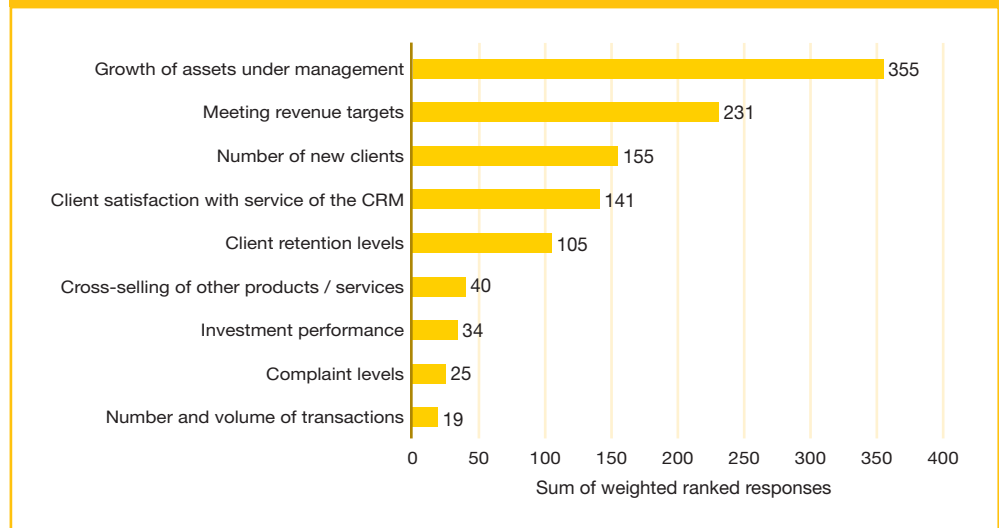
Redundancies, publicly tainted brands and forced 'shotgun' acquisitions have taken their toll. There is a danger that as soon as recovery occurs and confidence improves, CRMs will reassess their commitment to their organisations.

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.

Revising performance measurement metrics and linking these directly with individual reward, will help create clear career paths for CRMs.

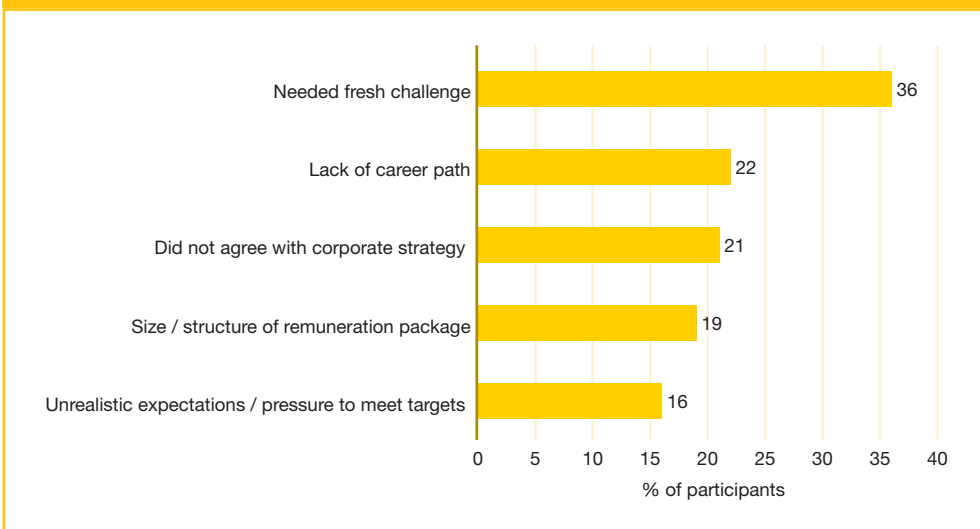
Currently, the top five factors used to measure CRMs' performance are increasing assets under management, meeting revenue targets, attracting new clients, satisfying clients and retaining clients (see Figure 18). In the current climate it is difficult, if not impossible, for CRMs to perform well against most of these criteria – indeed they are making CRMs demoralised and disengaged. Wealth managers need to focus on the factors that make a successful CRM

Figure 18: How important are each of the following criteria in the measurement of your performance as CRM?



Source: PricewaterhouseCoopers

Figure 19: Please rank your top three reasons for leaving your previous employer



Source: PricewaterhouseCoopers

in the current market and take steps to measure their CRMs against a new, more relevant set of criteria.

Having defined performance measurement criteria, the next step is to ensure that individuals are rewarded for their performance against these criteria. Wealth managers continue to struggle with removing or minimising discretion from individual reward. The objective is to have a transparent system where CRMs are objectively assessed and this assessment directly affects their levels of reward.

With so much emphasis on long-term client relationships, the HR function needs to focus on building long-term career paths for CRMs. When those who had left a wealth manager in the past two years were asked for their two top reasons for leaving, CRMs stated the need for a fresh challenge, and the lack of career path – they ranked remuneration only a distant fourth (see Figure 19).

For 47% of wealth managers, the average length of CRMs' service is fewer than 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. 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.

Only 25% of CRMs have personal medium-term career and development plans in place that have been agreed with management. 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. In fact, just 39% of wealth managers have formal employee retention programmes.

Only 25% of CRMs have personal medium-term career development plans agreed with management.

When it comes to leadership, there are similar shortfalls in development. While building leadership capabilities is cited as the third most important people issue, it is telling that 71% of wealth management organisations do not have formal succession planning even at the corporate board level. Indeed, 61% do not have it in place for middle management. Regulation could likely enforce formal succession planning at board level, but failure to plan for continuity creates long-term risk and at worst it can lead to serious business issues and result in loss of clients.

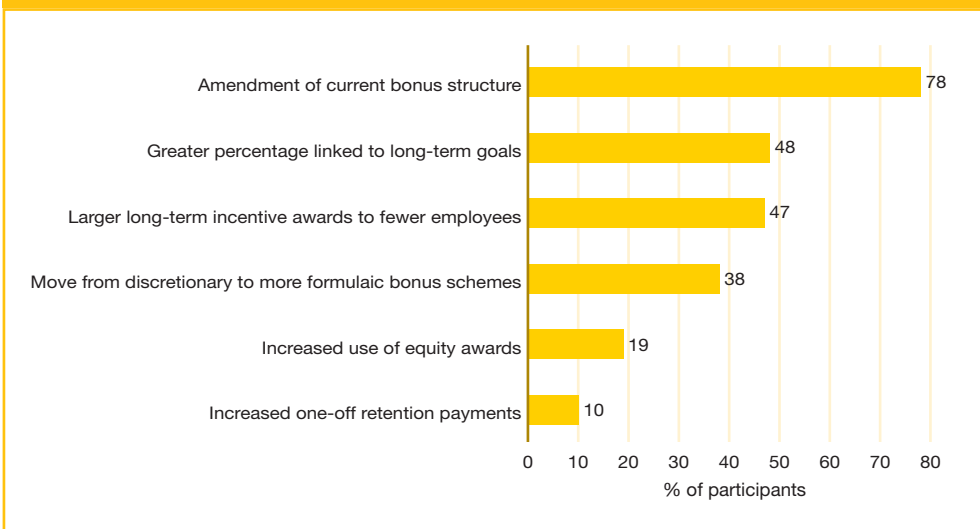
Reward comes under the microscope

With CEOs recognising that quality of advice is increasingly the key differentiator for wealth managers, only long-term

compensation structures can reward CRMs for the kind of behaviours that foster long-term relationships. Indeed, wealth managers increasingly recognise the misalignment between reward structures and business objectives – only 29% of HR managers agree that the way their people are rewarded contributes to desired business outcomes.

Governments and regulators are fast becoming a key driver for change in reward structures across financial services. They are demanding improved compensation structures in response to the perception that short-term bonus schemes partly contributed to the financial crisis by encouraging excessive risk taking. Aside from the make-up of compensation, regulators are also pushing for a much stronger alignment between business and client objectives and compensation.

Figure 20: How does your organisation plan on changing its remuneration structure in the next two years?



Source: PricewaterhouseCoopers

Some wealth managers realise they should change compensation structures to drive more client-centric behaviours and to encourage CRM loyalty. These organisations will focus on aligning bonus and remuneration with desirable organisational behaviours, and rewarding long-term client service, rather than focusing strictly on revenues and assets under management (see Figure 20). Remuneration structures with long-term pay outs will also encourage CRMs to stay in place at organisations, reducing the amount of CRM poaching.

By changing reward structures, organisations can achieve real benefits. Of the wealth managers who changed compensation structures in the past two years, 81% saw an improvement in staff motivation and 78% reported a greater ability to retain high-performance employees. Obviously, this helps wealth managers to provide clients with excellent service.

Disappointingly, though, the appetite for change is mixed, with 55% of wealth managers having no plans to change their reward structures over the next two years. There is a strong sense of 'first mover disadvantage'. We should not, though, underestimate the possibility that regulatory pressure will force organisations to act.

PricewaterhouseCoopers Viewpoint: Moving to a new reward model

Wealth managers might not appear directly involved in the apparent compensation excesses that have stimulated political and regulator involvement in financial services, yet they are inevitably swept up in the widespread change taking place.

In the wake of the credit crisis, searching questions are being asked about whether compensation systems helped to fuel excessive risk taking.

We have conducted extensive research into how financial services organisations are planning to change remuneration structures. What is clear is that there is support for longer term compensation strategies, but no one wants to move first – particularly with more ‘draconian’ measures such as bonus claw-backs and deferrals.

Yet governments, regulators and shareholders are putting the financial services sector under renewed pressure to improve remuneration practice.

Regulation

With the notable exceptions of the UK Financial Services Authority, the Swiss Federal Banking Commission, the Australian Prudential Regulation Authority and the US Treasury, regulators have yet to take direct action regarding executive compensation.

The G20 asked the Financial Stability Forum (FSF), however, to review the supervision and oversight of compensation. Those expecting a vague set of principles from the FSF will be surprised by their hard-hitting and specific nature. Applying to all significant financial institutions, these include:

- Boards of directors must take responsibility for overseeing and reviewing compensation and must have appropriate expertise to do so;
- Financial and risk control functions must take a significant role in compensation design and oversight, and be appropriately and independently remunerated;
- A mixture of judgment and quantitative measures should be used to adjust compensation for all types of risk, including difficult-to-measure risks;
- Compensation design should mitigate imperfect risk adjustment through balancing individual, business unit and overall firm performance, with compensation deferred where appropriate and a suitable mix of cash and equity used; and
- Enhanced disclosure about compensation to key stakeholders.

Regulators must ensure rigorous and sustained oversight of compensation and, by working through the FSF, ensure even application across institutions and jurisdictions. Material progress in the implementation of the principles is required by the 2009 remuneration round – full implementation must take place as soon as possible.

The FSF clearly believes that the power of incentive systems at times over-rode internal risk controls. Risk needs to be aligned with compensation in order to prevent this happening again. Given labour market pressures in the industry, the FSF considers this can only happen through sustained external pressure, co-ordinated at the global level.

Whether or not smaller wealth managers are directly impacted by the FSF guidelines, it is certain that they will be affected eventually as compliance with the guidelines becomes common practice.

Reward in the new environment

Ultimately, all wealth managers should aim to achieve best practice. When considering remuneration strategy for 2009/2010, there are a number of structural and strategic issues to keep in mind:

- Incentive payments should be based on performance measures that adequately account for the risk taken in producing profits over the long term;
- Bonus pools should not be struck below the level at which cost and risk can be allocated;
- Rewards should be aligned with the risk profile borne by the organisation;
- Deferrals should be linked to the realised profitability of the business on which the bonus was based;
- A significant proportion of managers’ remuneration should be based on divisional or group-based bonuses; and
- Compensation design should be considered a key business competence and integrated into wider people management.

With the 2008 reward round completed, now is the time to consider how future reward strategy will adapt to this new and challenging environment.

Operations and technology – delivering client value and cost efficiency

05

Chief Operating Officers (COOs) at successful wealth managers must make changes to their operating models to reduce costs, while simultaneously investing to support and drive business growth. Many COOs surveyed believe there are significant cost savings that can be made over the next two years and place process efficiency towards the top of their agendas. With two-thirds of Chief Executive Officers (CEOs) identifying acquisitions as continuing to be a part of their growth strategy, there will certainly be significant challenges around the integration of operations.

Investing for client value and continued growth

Supporting growth is the number one objective on the agenda (see Figure 21) for COOs. This was also observed in our previous Surveys. Operations need to support market initiatives that can drive revenue growth. They also need to deliver client value and ensure that cost-efficient workforces still have the scalability to support volumes that will grow in the medium term.

Recognising strategic competencies and developing these as competitive in-house capabilities is part of the COO's responsibility. Over the next two years COOs expect a 5% reduction in the outsourcing of portfolio management. Additionally, they expect a 7% reduction in the outsourcing of tax advice, which

Figure 21: What are the top objectives for your business currently and in two years' time?



Source: PricewaterhouseCoopers

currently is the business function most likely to be outsourced in wealth management.

If wealth managers are to do this they will not only need to build effective infrastructure, but also significantly up-skill their Client Relationship Managers (CRMs).

Similarly, functions that were historically regarded as core competencies but are now recognised not to be strategic differentiators are being outsourced. For example, an 8% increase in the outsourcing of trading/executing and payments is anticipated.

Client communications strategy is also a key focus for COOs. To date, particularly outside the US, the overriding majority of client communication has been handled through monthly reporting and regular discussions with CRMs. During the financial crisis, however, it became apparent that most clients required more regular and even real-time reporting around their overall positions. For those without

this level of functionality, faxing statements upon request was regarded by clients as simply failing to meet their needs.

These issues are compounded when clients want to know their net positions across multiple accounts. Aggregated client reporting is a function that 42% of COOs' organisations are not yet able to provide. For those who do not yet offer aggregated reporting, 66% plan to offer such statement capability within the next two years. Aggregated reporting is a technical challenge – of these, 87% will need to first undergo system and process upgrades.

While not an immediate priority, survey respondents predict that online client service platforms will become a top five operational priority over the next two years. Those able to provide such client interfaces, through the internet and handheld devices for example, may be able to increase client loyalty and free their CRMs to focus on higher value client interactions.

Information security, client data protection and privacy have become top priorities. The media highlights discoveries of departing staff finding ways to extract or generate client contact lists, potentially including information on account sizes and account numbers. Wealth managers and regulators are reviewing client data security as a critical legal and reputational priority. Technical difficulty in encrypting client data held in mobile and laptop devices poses one problem, as does the practicality of restricting and tracking access to client names and contact information.

CEOs regard use of technology as the weakest element of their organisational capabilities and 63% of COOs expect to increase their IT spend in the next two years. Long-term investment is required; indeed, 82% of COOs will undertake some form of major core system upgrade, including 36% who will introduce enterprise-wide solutions for their organisations.

Investment in systems can deliver much-needed functionality to front-office staff such as enhanced portfolio management or performance analysis tools, as well as supporting major efficiency gains through the automation of legacy manual process workarounds.

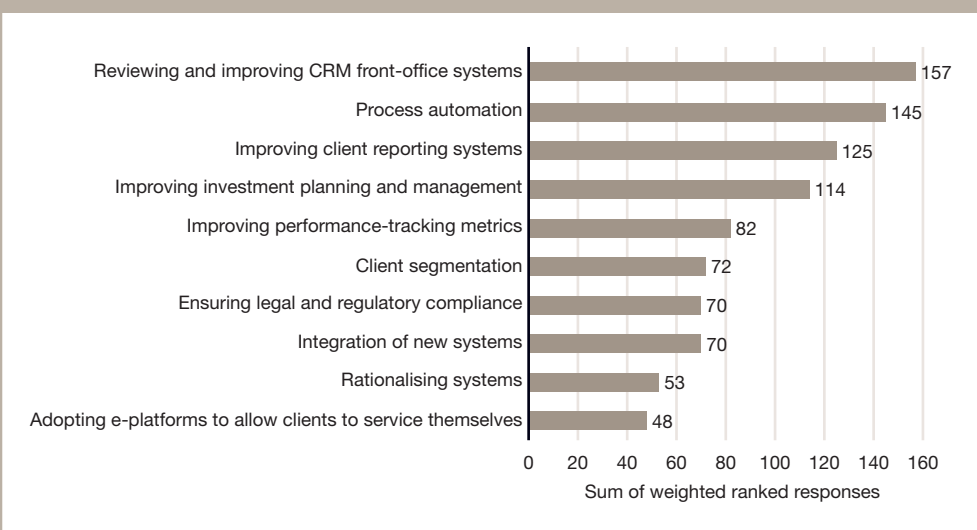
Reengineering and reorganising for efficiency

While growth is the top priority for COOs, unsurprising yet somewhat of a contradiction, is that short-term cost cutting is their next-highest priority. CEOs certainly believe that there is ample room

for costs to be reduced, with 36% of our respondents estimating that 10% to 20% can be eliminated, and 18% estimating that reductions greater than 20% can be achieved with more aggressive non-traditional programmes (see Figure 6 on page 14).

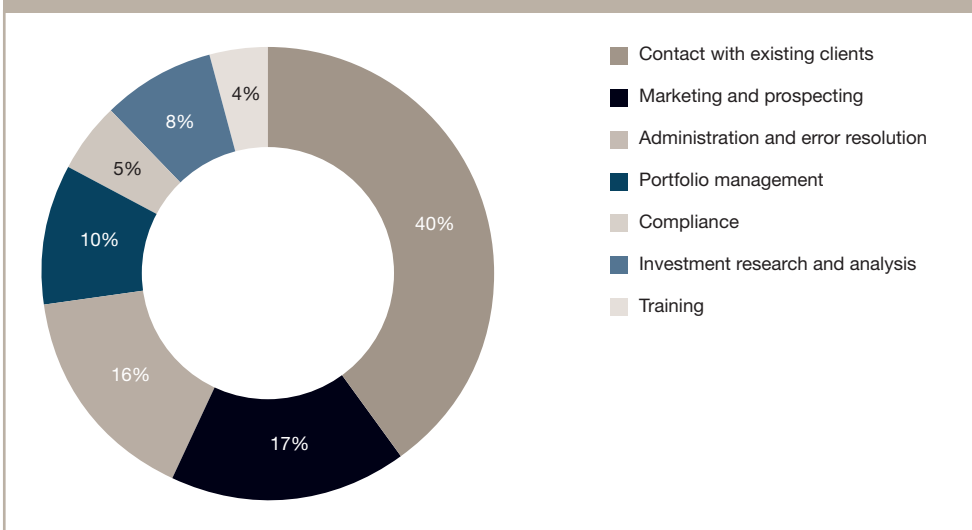
Process reengineering is an obvious place to start, with 84% of Finance Directors expecting process efficiency projects to be a cost-control strategy, and process automation appearing second in our COOs' list of top operational strategies (see Figure 22). This trend is present globally in every region. It is present even in Asia Pacific, where arguably systems are

Figure 22: What are the top key operational strategies that you, as COO, currently employ to support your business objectives?



Source: PricewaterhouseCoopers

Figure 23: In an average month, what proportion of time do you, as CRM, spend on the following activities?



Source: PricewaterhouseCoopers

CRMs spend 16% of their time on administrative tasks and error resolution.

relatively newer. The result is that in every region market growth and changes have occurred at a faster pace than systems have been able to keep up with, resulting in manual process workarounds.

CRMs today spend 16% of their time on administration and error resolution (see Figure 23). This is comparable with the

17% spent on the much more valuable marketing and prospecting. Even more concerning is that this is double the time spent on investment research and analysis. Clearly, better use of tools to free up time will be the hallmarks of the successful wealth manager in the near- and longer-term.

Outsourcing through the use of open architecture is one technique that wealth managers continue to use. Wealth managers recognise that by outsourcing product manufacture or even whole business functions, such as trust administration or settlement, they can either reduce operating costs or achieve greater flexibility in matching costs to market demand.

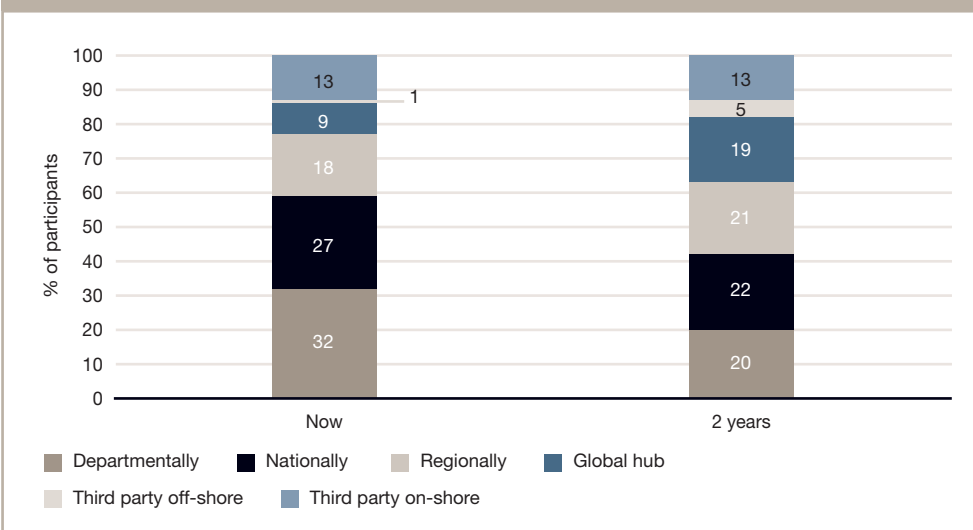
The financial case for many such moves is based upon economies of scale through servicing much larger volumes, or in the greater capability afforded by combining small teams of highly specialised resources into centres of excellence. Shared service decisions should not be taken lightly. This is particularly true for business process outsourcing decisions focused on operational efficiency.

There can be a difficult transitional period with challenges around service delivery risks, service-level maintenance and monitoring issues, along with potential loss of control and negative impact on client service.

Shared services is a structural strategy that has the potential to unlock more significant cost savings. The obvious choices include supporting processes such as Human Resources and Information Technology (IT). Taking IT as an example, COOs expect to increase the use of regional and global hubs (see Figure 24).

Shared service concepts can be applied more widely in back-office functions. For example, operations functions such as payments can be shared with that of retail operations within a parent banking group.

Figure 24: How is your current IT capability predominantly sourced and how do you, as COO, expect this to change in two years' time?



Entering a period of inorganic growth

While wealth managers plan to reduce operating costs, a level of industry consolidation in the sector appears inevitable. Some 88% of CEOs expect at least some consolidation in the sector in the coming two years, with 34% expecting substantial consolidation. Indeed, 63% of CEOs regard acquisitions as part of their growth strategy over the next two years; more than double the projected rate of acquisitions in our previous Survey.

Inorganic growth through mergers and acquisitions can be a reasonable approach to growth. It can provide the acquirer with a complete package consisting of new clients, their accounts, CRMs and the operational environment necessary to service them.

For COOs, mergers and acquisitions pose an increased challenge. This is a reflection on the way operating models have been engineered. Expectations upon or after an acquisition might start with wanting to cross-sell products and services, and later on combining front-, middle- and back-office teams in order to combine strengths and gain economies of scale. The reality, however, is that current operating models are highly individualised. Integrating live business functions is a risky, time-consuming and complex exercise.

The work of COOs is perhaps harder now than it has ever been before. Needing to support growth, while also making significant cost reductions will be a strain on project resources. COOs must obtain and direct resources wisely and avoid fire fighting in order to best position operations for the medium- and longer-term.

PricewaterhouseCoopers Viewpoint: Operational improvement is at the heart of future success

There are a variety of options and approaches to the infrastructure supporting private banking and wealth management. Managing costs around every aspect of infrastructure including people, processes, technology and data is vital to future success, now more than ever.

Transformational change starts at the 20% savings level. To secure real savings, wealth managers will need to go well beyond making minor headcount reductions in middle- and back-office support functions such as IT, operations, and finance and deliver transformational change. We believe success might include use of techniques pioneered in other industries – without in any way compromising the quality of client advice.

Typically wealth managers have restricted cost savings to performance-based headcount reductions. While straightforward, these typically only yield modest savings, which are simply not of sufficient scale to sustain competitive advantage in today's market. Minor cost-saving initiatives will only drive a continuation of lower levels of performance. They are no substitute for more substantive operating model reviews.

With many wealth managers having now completed their first round of operational cost cuts, success in future phases will depend on re-evaluating all aspects of their businesses. Wealth managers could draw on non-traditional tools and techniques, including those from outside financial services.

Some approaches we observe include:

Centralising organisational structures: Diversified wealth managers are reviewing how they can run different divisions and distribution channels such as brokerage, private banking, trust and family office using shared support services. The governance and purchasing power advantages of centralisation can yield savings for certain functions, such as in procurement and legal, however, other functions are more difficult to centralise across divisions. The key is balancing consolidation objectives with uniqueness around specific value propositions.

Pruning and tailoring the investment process: Although historically not the first target for savings, there is significant cost-cutting potential hidden in the operational aspects of many investment activities. For example, research can be divided between data gathering and manipulation, analysis and publication. Only analysis needs to be retained by true investment personnel. Other functions can be centralised or even outsourced. Fund accounting, portfolio management and other processes can also be restructured

or outsourced. Clearly investment in front-office automation provides superior tools, and a powerful form of leverage for a smaller, better trained and efficient team of CRMs.

Increasing open architecture and sourcing: The variety of sourcing options has expanded significantly in recent years. In particular, wealth managers are embracing outsourcing for more and more components of the value chain. We see white labelling and open architecture increasing as wealth managers define and focus on their core competences and outsource other more commoditised processes, and products. Services and platforms for accounting, operations, performance and risk measurement, investor reporting, tax and portfolio management are now all available under several different delivery models, ranging from outsourced, to internally hosted platforms. How organisations structure and resource different sourcing models will be key drivers of future savings.

Managing the cost of transparency: Following recent investment scandals, wealth managers have increased responsibilities, and costs associated with delivering customer information. The escalating pace of new regulation is a significant and unplanned cost for operations. The ultimate consequences of this are far from clear but there appears no end in sight to increased regulatory overhead and cost. This includes performance transparency and client suitability of product offerings, as well as due diligence of third-party investment managers. In an attempt to 'hold the line', management has to become more creative. Using automated portfolio management systems to reduce cost is just the start. Some wealth managers will narrow the scope of their investment offerings, giving rise to staff reductions in the product management and support organisations. Greater automation of the due diligence process, through electronic attestation and improved reporting will facilitate more transparent information and free up resources.

Learning from outside financial services: The techniques needed for achieving transformational change can often be learned from outside financial services. Wealth management can leverage many of the supply chain and customer experience lessons that other industries use to achieve greater operational efficiency. We see lean manufacturing techniques and enhanced customer experience programmes relevant throughout the wealth pyramid and such appraisals can teach many lessons about achieving breakaway performance, increased efficiency and cost reduction.

In our view, 20% cost savings is the threshold that tomorrow's leaders must cross in terms of their wealth management operations. Wealth managers should explore non-traditional solutions with an open mind.

Risk management – protecting the client promise

06

Robust risk management is the guardian of every wealth manager's reputation. Poor risk management when selecting products for clients has been an evident weakness – undermining many established wealth management brands. In this new era, risk management must come of age. Its application must be holistic and driven by clients' expectations.

Following the financial crisis and recent investment frauds, wealth managers are concentrating more than ever on managing risk. For Chief Executive Officers (CEOs), risk and its consequences has become the third most important strategic area on which they are currently spending their time.

At the same time, the focus of risk management is changing. Today, Survey respondents view counterparty risk as their number one concern, with client and product suitability as their number three concern. In two years' time, client and product suitability is expected to rank first, with counterparty risk sliding to number four (see Figure 25). Once the immediate crisis has passed, wealth managers anticipate concentrating more than ever on whether they are selling clients appropriate products – which is highly relevant considering the overwhelming importance of appropriate advice today.

Wealth managers have gained a far better understanding of the overall importance of risk management. They are naturally becoming more cautious and tending towards extra layers of control. When doing so they must improve on yesterday's risk management shortfalls but also anticipate the risks that will accompany tomorrow's opportunities. Strong risk management is a process of making informed decisions across the entire spectrum of risk to which a client and the institution are exposed.

Risk-based frameworks need to evolve continually

For those working in financial services, the past 18 months has been a rollercoaster ride. As management now turns to focus on how to improve risk management – and doing so while minimising constraints on the business – there is a need to be

Figure 25: What do you, as risk officer, believe will be the key areas of risk needing to be addressed by your organisation in two years' time?



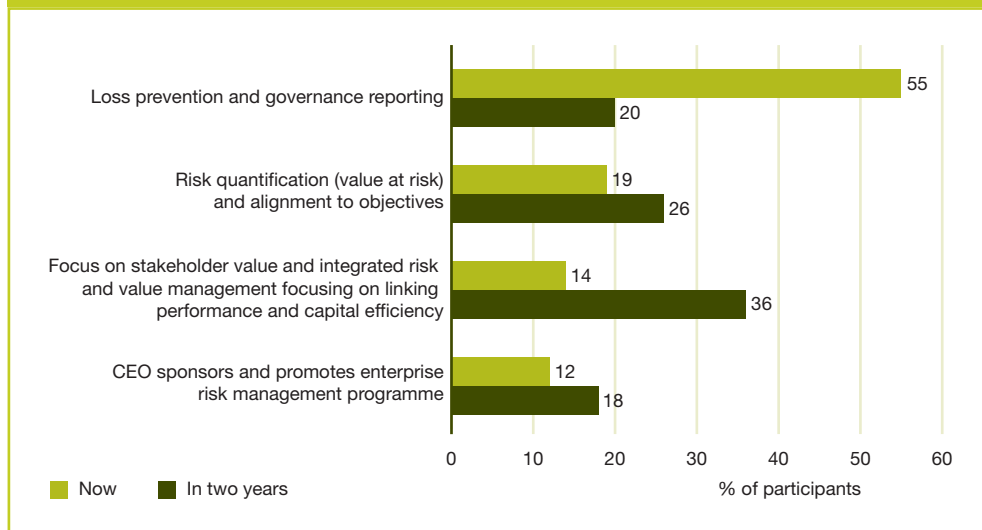
Source: PricewaterhouseCoopers

proactive. The past has proven that aiming simply to ensure regulatory compliance is not enough. Risks around liquidity, operations and third-party product selection have not been mitigated sufficiently across all industry players.

Risk management needs to be embedded in the wealth manager's overall business

strategy. While the majority of wealth managers have invested in strengthening their risk management processes over the past few years, only 27% of CEOs are very confident that they have appropriate risk frameworks in place to identify, monitor and measure risk across their organisations. Wealth managers need to gain better control of risk

Figure 26: Which of the following best describes your organisation's approach to risk management, now and in two years' time?



Source: PricewaterhouseCoopers

management on a holistic basis in order to capture and manage all business risks.

Those that continue to operate risk, business planning and performance management in silos are particularly vulnerable to unforeseen or misjudged risks. With 62% of Survey respondents reporting that their risk management

frameworks are less than five years old, it is clear that risk management needs to be continually evolved.

The most common method of risk management reporting remains loss prevention and governance reporting (see Figure 26), as was the case in our past two Surveys. Yet, significantly, 36%

of risk officers expect that in two years' time their approach to risk management will focus on stakeholder value and integrated risk and value management.

What has now become clear through this economic crisis is that the risk and control infrastructures across the financial services industry are operating with a set of decision metrics that were conceived and implemented in an environment that is no longer present. The resulting exposure to unplanned losses and systemic risk will continue and these will further shake the confidence of wealth managers' clients and stakeholders alike.

In our view wealth managers also need to focus on responding to increasing customer expectations and sophistication. As such, they need to develop risk management frameworks that reflect and deliver on customer expectations in the context of the institution's legal, constructive and reputational obligations.

There is a need for risk management frameworks to become increasingly holistic. Risk management needs to be viewed as an integral part of good decision making, and not simply as an after-the-event back-office function. While 70% of wealth managers possess board-approved risk appetite statements, only 44% say these are fully cascaded throughout their organisations.

Evidently, wealth managers have some way to go before risk management is properly embedded throughout their organisations.

Narrow approaches to risk management hamper an organisation's ability to monitor critical risk interdependencies. An organisation is then less able to discern the consequences of other decisions it makes in an increasingly volatile business environment.

Risk and performance management must be integrated

Governments and regulators are rapidly becoming a driver for change in reward structures across financial services and are demanding improved risk aligned compensation structures.

When setting performance-related compensation, wealth managers must go beyond simply ensuring regulatory compliance – which 47% of wealth managers say is a very important factor. This is not simply about completing 'Know Your Customer' checks and suitability checklists – behaviours and performance need to encompass a broad consideration of risk.

Product suitability and mis-selling are set to become priority areas of risk for wealth managers.

Linking business risk indicators with key performance indicators can be achieved. Encouragingly, 40% of wealth managers have policies in place that assess whether compensation policies and practices are consistent with the organisation's corporate culture, long-term objectives and strategy. Unsurprisingly, considering the regulators' increased interest, this is an area wealth managers are looking to enhance over the next two years.

Understanding product and potential mis-selling risks becomes a priority

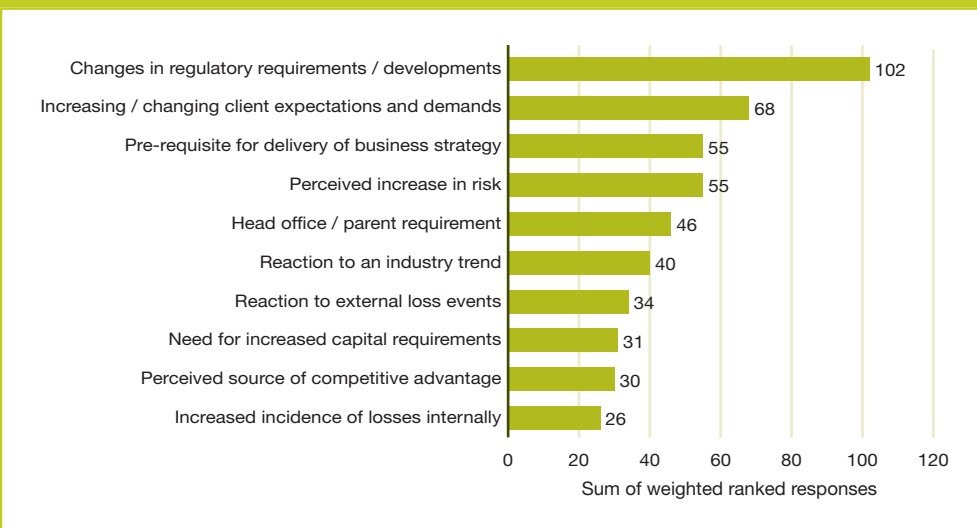
Failures and client disappointment with the array of complex financial products introduced over the past few years have damaged the wealth management industry. Collapsing markets have significantly shrunk clients' wealth, while investment scandals have eroded trust. Many clients perceive that the wealth manager's promise – to protect clients' wealth today, tomorrow and for

generations to come – has been compromised.

Developing successful strategies for investing in such complex investments requires an understanding of their risks. CEOs have clearly identified this as an area of weakness among Client Relationship Managers (CRMs). Yet if risks associated with products are not adequately understood, then on what basis can wealth managers responsibly invest their clients' wealth in such products? CRMs need to have sufficient knowledge to make informed decisions about the structuring of clients' portfolios in the context of their stated objectives, circumstances and risk appetite.

It is not surprising then that the primary area of risk that wealth managers anticipate addressing in two years' time is client and product suitability. Furthermore, this is closely followed by the risks around mis-selling and inappropriate advice.

Figure 27: What do you believe will be the top drivers for change to your approach to risk management over the next two years?



Source: PricewaterhouseCoopers

At a time when open architecture is increasing, product liability issues around suitability and regulatory compliance are certainly concerns. Clients look to their wealth managers for wealth protection. This means selecting appropriate products, regardless of manufacture, which requires robust due diligence processes covering the increasingly broad and complex potential range of investments.

Costs of compliance on the increase

Over the past few years the costs of compliance have increased for most wealth managers. Respondents anticipate that these will continue to rise. The key drivers are mounting regulatory requirements, as well as evolving client expectations and demands (see Figure 27).

History shows that following financial crises, regulators tend towards extra layers of control. New regulations on increased capital requirements, amended commission and fee models, risk-aligned reward and compensation structures are all in various stages of enactment.

The regulatory burden and its cost will only increase in the near term. For global wealth managers, keeping abreast of changing regulations across different jurisdictions is a huge task. The fundamental shift in western governments' attitudes towards offshore tax planning means that wealth managers operating within certain jurisdictions will come under greater scrutiny. No doubt the regulatory burden is one reason why 68% of CEOs say they will not open up operations in new countries over the next two years.

The importance of robust risk management to the brand has never been more important. The majority of Survey respondents state that enhanced reputation is the primary benefit of risk management. In the past 18 months, some reputations have been severely damaged by failures of risk management. One of the primary lessons of the financial crisis for wealth managers is that appropriate and robust risk frameworks are absolutely essential.

PricewaterhouseCoopers Viewpoint: International private banking centres – finding the value proposition in a new world

Currently US\$ 7.3 trillion² of private banking assets are held in international private banking centres (IPBCs) outside clients' jurisdictions. The largest of these is Switzerland, managing 27% of global 'offshore' assets, followed by the UK, Luxembourg and other centres. In recent months, pressure has been ratcheted up on IPBCs. This pressure has taken two forms: on the one hand, direct pressure on the centres themselves to agree to exchange of client information and, on the other hand, 'carrot and stick' policies directed at High Net Worth individuals. The 'carrot' is in the form of tax amnesties; the 'stick' is enforcement action. So what is the value proposition of IPBCs in today's environment?

IPBCs are important to the private banking and wealth management market, competing in the context of international taxation. While optimising taxes is an important reason for some clients to open accounts in IPBCs, there are other good reasons for doing so – not least clients' desire for stability and for safety in these uncertain times. Globalisation and the increasing mobility of wealthy families are creating new challenges for financial institutions. IPBCs are often well prepared to deal with international families and individuals, employing experienced and multilingual wealth management professionals and providing specific products and services. Many IPBCs have long histories and strong brands in global wealth management, conveying values appreciated by wealthy individuals and families from around the globe, including tradition, honesty and confidentiality.

Major reasons for wealthy clients to have assets managed in IPBCs include wealth creation and preservation. Wealthier clients from the Middle East, Asia, Latin America and Africa often seek relatively more stable political and legal frameworks and financial systems, and value confidentiality deeply. Independent of any changes in their home country, the stability they find in IPBCs allows them to preserve and accumulate family wealth over several generations. Many commentators expect to see relatively more private wealth being generated in the future in emerging market economies, yet regulatory and legal frameworks remain volatile, so 'stability' will remain particularly important. Moreover, the very wealthy have a risk-averse mindset in the current environment and do not want to have all their wealth managed in a single jurisdiction.

Through international pressure for increased transparency, the competitive advantage of IPBCs could be challenged as the era of absolute banking secrecy evolves into a new world of 'compliant confidentiality'. To retain and gain assets compliant with international tax legislation, and to remain competitive, IPBCs will need to re think the true value of their services. Aside from professional services offered, including niche expertise, this might arise from strengths such as infrastructure, as well as legal and regulatory frameworks. Furthermore, the relatively small size of some centres allows them to adapt quickly to a changing international environment, although as political pressure increases smaller centres could arguably lose out.

The private banking and wealth management world will become more transparent and more regulated in the years ahead. While onshore centres will manage more private wealth than they do now, IPBCs that focus their offerings and complement onshore services will continue to play an important role and new centres might also emerge. A fast-changing international regulatory framework will lead to a new generation of treaties between IPBCs and large economies, as well as the probable emergence of expanded regulatory regimes within the EU and elsewhere.

Wealth managers will not want to impact their reputations by operating in 'non-transparent' or 'non-cooperative' jurisdictions. To emerge as leaders, private banks and wealth managers will need to ensure that they plan for the new world and focus on the value proposition of IPBCs and how their chosen centres deliver their clients' needs.

² Source: Swiss Bankers Association.

Background to the 2009 Survey

The PricewaterhouseCoopers Global Private Banking and Wealth Management Survey 2009 reflects the contributions of some 238 wealth managers across 40 countries (see Figure 28). The level of participation and the time invested by organisations is an endorsement of the value the industry places in our Survey and the analysis and insights that it brings to senior management.

Figure 28: Survey responses were received from 40 countries

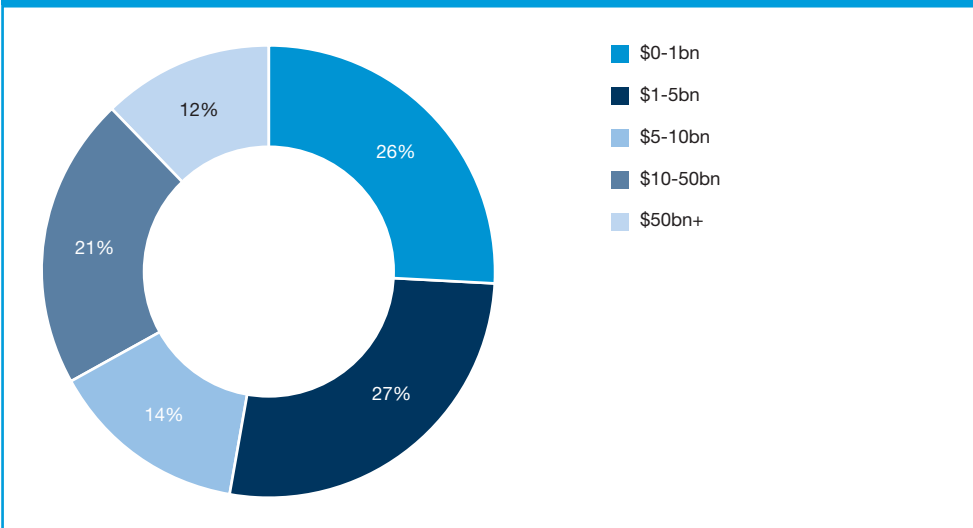
Argentina	India	Portugal
Australia	Ireland	Russia
Bahrain	Isle of Man	Singapore
Barbados	Israel	South Africa
Belgium	Japan	Spain
Bermuda	Liechtenstein	Sweden
Brazil	Luxembourg	Switzerland
Cayman Islands	Malaysia	Taiwan
Channel Islands	Malta	United Arab Emirates
China	Monaco	United Kingdom
Cyprus	Netherlands	United States of America
France	Nigeria	Uruguay
Germany	Norway	
Hong Kong	Poland	

Source: PricewaterhouseCoopers

Our Survey questionnaires canvassed the full range of senior management views. Chief Executives, Heads of Business Units, Chief Operating Officers, Finance Directors, Risk Officers and Human Resource Managers all completed specific sections. Acknowledging their crucial role in the client experience, there is also a section dedicated to Client Relationship Managers.

By focusing on different areas of a wealth manager's business, these responses reveal the key issues facing wealth management on a holistic basis. Reflecting this, our Survey is split into six underlying sections covering: Performance, Client Service, Products and Services, Talent, Operations and Technology and Risk Management. We also present Viewpoints that discuss the key topics we believe will shape the future of industry.

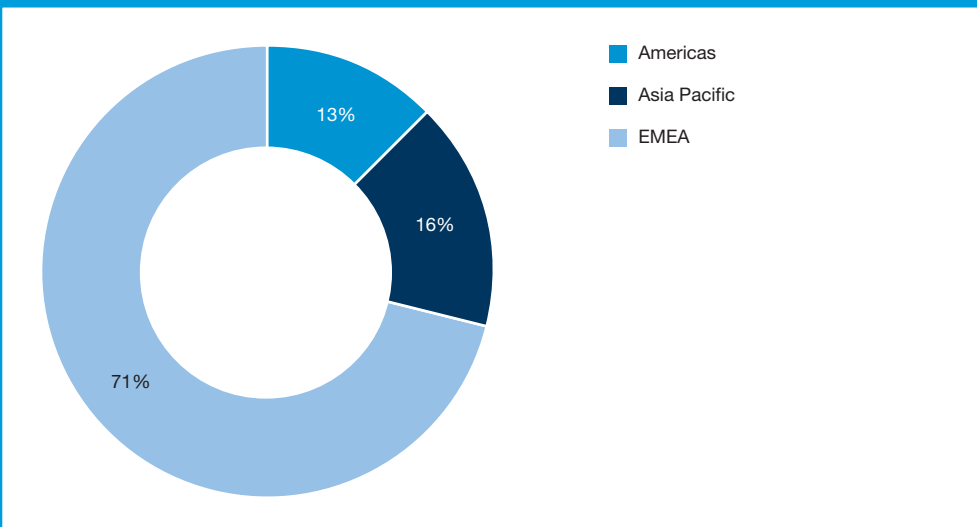
Figure 29: Split of participants by AuM (US\$)



Source: PricewaterhouseCoopers

Questionnaires were completed either online or in face-to-face interviews between December 2008 and March 2009. PricewaterhouseCoopers' International Survey Unit located in Belfast, Northern Ireland, which manages numerous international surveys including many on behalf of clients and governmental bodies, built and managed the online questionnaires and led the detailed data analysis of the Survey results.

Our Survey refers to wealth managers in their broadest sense. Respondents cover the entire spectrum of wealth management, including private banks, boutiques, local onshore wealth managers, universal global banks and family offices. As such they manage assets under management of varying sizes (see Figure 29). This diversity of perspectives provides unique insight into the activities of all types of wealth managers, whatever their size, wherever they operate and whichever client segments they serve.

Figure 30: Regional split of global participants

Source: PricewaterhouseCoopers

With wealth management expanding in developing economies, there are respondents from countries such as Brazil, India, China and Russia. Additionally, this year's Survey has its strongest ever participation from the Americas, with 13% of total respondents. Asia Pacific, predominantly Singapore and Australia, represents a further 16%. The balance, and the majority, of participants are from the established wealth management nations of Europe, including Switzerland, the United Kingdom and Luxembourg (see Figure 30).

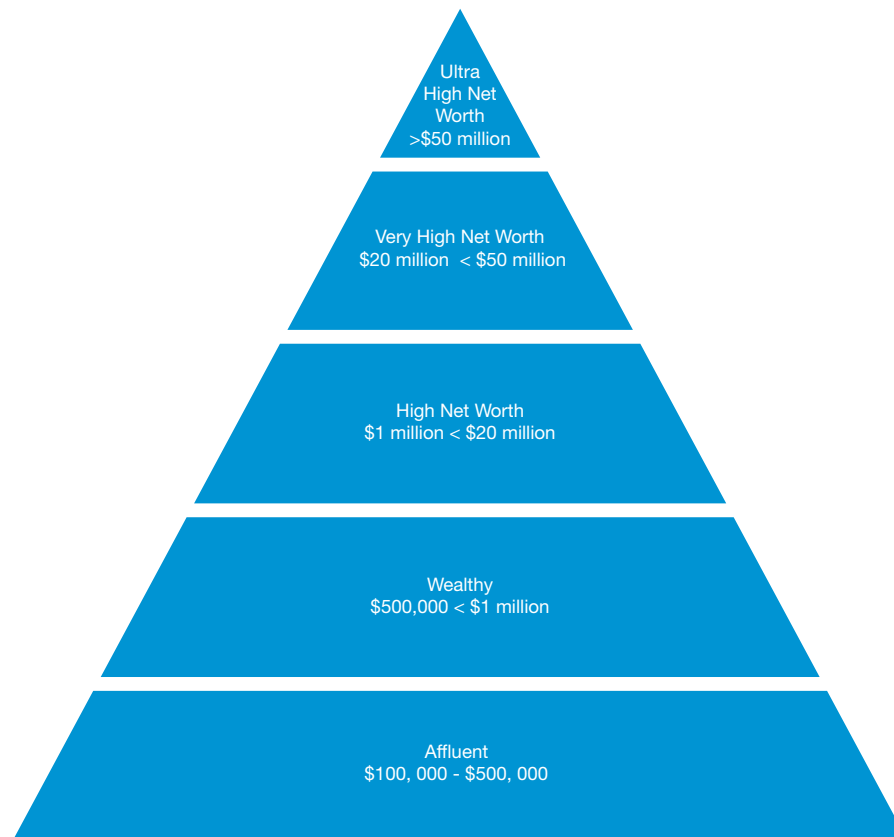
Many of the questions are similar to those in previous years' Surveys, to help identify clear trends and track changes. In order to identify regional differences, a Global Editorial Board, made up of PricewaterhouseCoopers wealth professionals from different regions, has worked together to analyse the Survey's key themes.

Where relevant, findings have been analysed by geography to ensure that broad averages do not obscure underlying regional themes. Furthermore, many of our questions have forward-looking elements to them, providing invaluable insight into future expectations. Our Survey continues to use the wealth management pyramid (see Figure 31), which segments clients by wealth band.

PricewaterhouseCoopers also performed a supplementary survey of High Net Worth clients globally in order to establish where private clients' perceptions differ from those of their wealth managers. Elements of this data have been included to enrich the Survey results.

Our survey includes representation from the principal wealth management jurisdictions across the globe.

Figure 31: The Wealth Pyramid (US\$)



This report is the first release from our 2009 Survey. We plan to publish subsequent supplements that will focus on specific topics in greater depth, together with more detailed data analysis.

All participants in the Survey will receive detailed analysis in return for providing their valuable time to complete the questionnaires and impart information about their businesses and how their organisations operate.

PricewaterhouseCoopers can also make further detailed analysis available, including non-attributable industry comparisons covering: type of organisation, size, geographic reach and service offerings tailored to specific client requests.

All Survey information and further releases will be available at www.pwc.com/wealth

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The Survey was principally written by the Global Private Banking and Wealth Management leadership team, together with the Global Editorial Board.

We received additional support from a significant number of individuals, in particular other members of the PricewaterhouseCoopers Private Banking and Wealth Management network and Rupert Bruce.

We would like to take this opportunity to thank everyone involved for their invaluable contributions and support.

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- Dispute resolution with tax authorities
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- Family office support
- Due diligence and private equity support

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Controls reporting
Governance advice
Corporate reporting
Internal audit

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Structured Finance
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HR and employment-related tax
Expatriate taxation
Product design and launch
Family office support

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Market and client segmentation analysis
Sustainability strategy advice
Revenue growth strategy
Client surveying

PwC Services for Wealth Managers

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Operating model design and transformation
Controls optimisation
Offshoring, outsourcing and shared services support
Post merger integration services
Process re-engineering

Regulation and Compliance

Regulatory risk assessments
Compliance remediation
Compliance function effectiveness

Human Resources

Talent management strategy
Reward and compensation
International mobility and tax compliance
CRM training – technical and core soft skills
Employee satisfaction surveys
HR benchmarking

Technology

Business requirements definition
IT risk management
Systems selection, evaluation and integration
Data security and IT controls reviews
IT cost control and optimisation
E-enablement
Enterprise solutions

Services to International Financial Centres (IFCs)

- Review of market entry strategy
- Advice on the impact of new regulation and taxes
- Human resource assessing compliance implications of new legislation
- Impact analysis of proposals for doing business in new IFCs
- Advice on new tax legislation to comply with international obligations
- Comparative jurisdiction analysis
- Utility and sourcing analysis and recommendations

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