REUTERS ARTICLE
13:29 11 May 07 – ANALYSIS – Boutique banks gain as big wealth managers merge

By Douwe Miedema, European Wealth Management Correspondent

ZURICH, May 11 (Reuters) - Finance boutiques with just a handful of clients are cherry-picking some of the most lucrative business from Europe's wealth managers and consolidation of the big banks will drive even more business their way.

The global wealth management industry, which holds more than $33 trillion in client assets, is one of the fastest growing financial services and anecdotal evidence suggests the number of smaller players is also on the up.

"The fact that there is consolidation in the banking industry clearly is one of the things that could push a client to a smaller entity," said Amedeo Serra, a founding partner at Geneva's Addvision Partners, a small wealth manager. "Clients like to be cuddled, like to be cosy and to know who they work with," he said.

Boutiques hold some 15 percent of the market for rich individuals in Europe, according to an estimate from Scorpio consultants, defying huge rivals like UBS <UBSN.VX>, Credit Suisse <CSGN.VX> and Citigroup <C.N> in rising numbers.

"These boutique operations are definitely a force to be reckoned with. They are analogous to the multi-family office operations that are springing up over Europe," said Ted Wilson, a consultant at Scorpio Partnership Ltd.

When it comes to the richest of the rich, banks also compete with family offices, secretive mini-banks owned by billionaires and their families who form their only client.

Kedge Capital Services, for instance, is the family office of Switzerland's Ernesto Bertarelli, the flamboyant America's Cup sailing enthusiast whose family is estimated to be worth some $10 billion after selling pharmaceutical group Serono.

Boutique banks offer a similar service to lesser millionaires at a lower cost, giving them access to high-tech products and personal ties that the mere affluent clients -- with up to $5 million or so -- cannot afford.

SMALL THREAT

Switzerland's UBS is easily the world's leading wealth manager and with client assets of some $2 trillion has little to fear from boutique banks who sit on just a couple of billion dollars of client money, and sometimes less.

But the small players may help explain why the sector remains so fragmented, with even UBS holding only some 3 percent of the global market for wealthy clients, or those with at least $1 million in free investible assets.

"We thought the sweet spot would be the clients that are way too big to be treated like retail clients, but too small to build their dedicated team of advisors," said Nicolas Sarkis, a co-owner of London-based AlphaOne Partners. Sarkis set up the venture last year, after leaving U.S. bank Goldman Sachs <GS.N> with a partner.

Private bankers often take along a good part of their clientele when leaving a big financial institution, giving them easy entry into the fragmented wealth management business when setting up their own business.

Other boutiques targeting similar client groups are Helvetia Wealth in Zurich, Intuitae in Paris, and Lord North Street and SandAire in London.

Large banks normally regard wealth management as a side business only, and the operations often provide just a few percent of income even at large players, with UBS and Credit Suisse the notable exceptions.

That stands in sharp contrast to a handful of world players dominating investment banking, and an ever tighter-knit retail banking sector, as highlighted by the $90 billion takeover battle over Dutch bank ABN AMRO <AAH.AS>.

Another reason why so many small wealth managers are proliferating may be that it is just not that hard to start your own business -- provided you have clients.

"There is little barrier to entry. The key to success is how you secure your own clients. The rest, in terms of access to products or information technology is no barrier," said Bertrand Lavayssiere, a consultant at Cap Gemini.

Small banks also lure clients by offering greater freedom than their bigger rivals, who they say have a vested interest in selling in-house products, while the smaller banks buy third-party products from any other provider.

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