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FINANCIAL NEWS

The bank's wealth division has identified two themes key to success, writes David Bain

RBC sets sights on global expansion



RBC Wealth Management has big ambitions. Little known outside North America, the Toronto-based unit of Canada's biggest bank wants to be a global name in wealth management services.

George Lewis, head of RBC Wealth Management, is leading the charge. The 24-year veteran of RBC has told his offices to hire staff as part of the firm's growth strategy. His senior managers appeared to have

heeded his advice. At a time when most private banks were putting the brakes on recruitment, last year RBC Wealth Management added 550 staff to its international business – potentially a record. Lewis said: "Few

wealth managers were hiring these numbers in 2009.”

Credit Suisse and Barclays Wealth were among the handful of other wealth managers hiring aggressively last year.

RBC reckons it has capitalised on problems at other private banks, making top hires from UBS, Citigroup and Merrill Lynch, where RBC has had less competitive advantage in hiring in the past.

Even so, the bank remains a small player in international wealth management. Consultant Scorpio Partnership’s global benchmark survey of the size of wealth managers in terms of assets under management last year placed RBC Wealth Management in 42nd place, with assets under management of US\$35bn.

The wealth manager itself reports assets under management of \$242bn (€168bn), which includes its mass affluent retail brokerage business in North America.

However the wealth manager is measured, there is little doubt that Lewis and the bank are keen to grow the business, and not just by hiring staff. He said the bank was looking to make an acquisition in asset or wealth management, especially in Europe or Asia.

“We want to gain more distribution outside North America and an acquisition would make sense to achieve this,” he said.

Lewis has support for acquisitions at group level. Gordon Nixon, the chief executive of RBC, said at a Goldman Sachs financial conference in New York last month that the bank was eager to boost its wealth management business and talked of acquisitions.

RBC has not made an acquisition in wealth management since 2008, when it bought Maurant Private Wealth, a Jersey-based offshore trust business. Other acquisitions abroad have also been linked to small trust businesses.

Some observers question whether RBC has the stomach to buy something big in wealth management, considering its timidity in the past. A London-based analyst said: “The bank has made plenty of tactical acquisitions in the wealth space, but has shown little commitment in the past to buy something that could double its assets under management.”

Size might also be a problem at RBC Wealth Management. It is keen to play up its small is beautiful approach to the wealth business. Lewis said the bank was conscious

George Lewis



Curriculum Vitae

Age: 49

Education

Harvard MBA, University of Toronto

Career highlights

1985: Joined RBC

1998: Appointed managing director, head of institutional equity at RBC Capital Markets

2000: Named chief executive at RBC Asset Management

2008: Became group head of wealth management and chairman and portfolio manager, RBC Asset Management

Interests

Board of directors of the Toronto Symphony Orchestra and Bloorview Kids Foundation

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George Lewis,
RBC Wealth
Management

of the need to maintain strong relations with clients and avoid the “product push” image linked to some large private banks.

“From the perspective of our high net worth clients, we like to be known as a ‘boutique with a balance sheet’,” said Lewis. RBC has a Tier-1 capital ratio of 13%, the highest of its domestic peers and well above global rivals. It is one of a few banks with a triple-A credit rating from Moody’s Investors Service.

The balance sheet part of the offering for wealthy clients means more than just knowing the bank is secure, according to Lewis. It also gives clients access to products and services from its capital markets business. Lewis said this had particular relevance in giving clients access to foreign exchange trading opportunities within its capital markets unit.

“This is where the private investment banking model can still work,” he said. The private investment banking model came under pressure during the financial crisis when proponents of it such as UBS and Citigroup were severely challenged by the downturn.

In the UK, RBC has been developing an onshore wealth business, hiring heavyweights from UBS and other banks to grow the business. It employs more than 1,400 staff in the UK.

Lewis said its onshore strategy in the UK fitted in with a big theme in the wealth market in the years ahead – retirement. “For wealth managers in mature markets like Europe and North America, the retirement market will become much more important – and it is up to us as an industry to meet this challenge by providing services and products to the market,” he said.

Emerging markets is the other big theme being followed by the bank. Beyond growing its business in Asia – where it has offices in Beijing, Hong Kong, Singapore and Brunei – Latin America and eastern Europe have been earmarked for growth. The wealth manager recently opened an office in Moscow and plans to expand in Brazil.

Lewis reckons if the bank can match the products and services to the two themes of retirement and emerging markets, the wealth manager will be successful.

He said: “Much of the battleground in wealth management will be around these themes in the years ahead and I think we have the wherewithal to grow the business rapidly here.”