

EXCLUSIVE: 'New Business As Usual' at fast expanding RBC Wealth Management

by James Grant-Morris, Wednesday 13 May 2009

It comes as no surprise to Paul Patterson, chief executive of Royal Bank of Canada's British Isles wealth management operations, that the name of his 'shop' comes up as a possible buyer any time a private banking business comes up for sale these days.

But Patterson will quite rightly point out that that is exactly what RBC have been doing for the past five years – quietly building up their offshore business in Guernsey and, in common with other Canadian banks, avoiding many of the excesses that have brought down its more illustrious and well-known US and European rivals.

But it was the announcement that RBC Wealth Management was pushing into the UK onshore market and was prepared to back its ambitions with a series of high level appointments that really caught the attention of the market.

The hire of Philip Harris from UBS to spearhead its UK Wealth Management business was a signal that RBC meant business – and by that Paul Patterson means new business – lots of it.

Onshore Push Builds Momentum

Harris, who joins RBC Wealth Management's London office from UBS

where he was head of UK high net worth client business, has the mandate to build and head up a new team of private bankers focused on onshore UK to complement RBC Wealth Management's existing and long-established international business headed by Mark Evans.

And already the team is starting to take shape. Harris officially begins in June, but the Canadian bank has already been inundated with applications from private bankers eager to join one of the fastest growing wealth management operations.

"We have been overwhelmed by the size of the response to our advertisement to staff our new onshore business," Patterson told thewealthnet as he detailed plans to hire "20 or so" private bankers over the next 12 to 18 months. In fact, there are already more than 300 CVs to pore over and new applications still flowing in suggesting that the team being assembled will end up looking "rather special".

"A number of leaders in our industry have been hurt by credit and financial problems in their parent companies," said Patterson. "This has made clients nervous about the security of their assets and many employees have become concerned about their current

compensation and future prospects."

The demand from private bankers is matched by the rush of new clients. According to Patterson: "We are signing up new accounts every week, for sure. Clients are approaching us rather than putting a number of wealth managers through an extended beauty parade."

But It's not just in the UK that RBC is building up its franchise platform, as both clients and advisors seek the safety of more stable financial institutions.

Russian Ambitions Add International Depth

"While we are now building a UK onshore wealth management, operation we are also continuing to look at growing our international presence. In the last 18 months we have opened offices in Beijing, Mumbai, Chile and Panama and have launched an onshore business in Brazil. We are now looking to open a representative office in Moscow in July".

RBC has long had what senior bank insiders say is a "very successful" team of client service professionals in London, but which has largely focused on an international client base – much of it involving classic offshore private banking and trust business, out of the Channel Islands.

A number of factors lay behind RBC's decision to move onshore in the British Isles.

In late February the bank completed its acquisition of Mourant Private Wealth in the Channel Islands, adding a further 44 staff to the business and more than £3.5 billion in assets under administration. Overall, the UK wealth management arm of RBC has just over £66.5 billion of assets, and it ranks as by the biggest trust operation in the British Isles.

"With more than C\$450 billion of assets under administration and more than C\$220 billion of assets under management RBC Wealth Management has more than 4,000 financial consultants, advisors, private bankers and trust officers," said Patterson.

"The recent acquisition of Mourant Private Wealth means that RBC Wealth Management now employs over 1500 people in the British Isles comprising 1,000 people in Jersey, where RBC Wealth Management is one of the largest financial services employers, over 300 people in Guernsey and a further 200 people in London, Cheltenham and Edinburgh."

The key to RBC Wealth Management's success very much has its roots in the offshore business where the focus has been on medium-to-long-term returns and a solid open-architecture.

Long-term Approach Bears Fruit

Phil Cutts, head of Advisory at RBC

Wealth Management in British Isles, argues that as a wealth management operation with its roots in international offshore banking it naturally has a 'multi-jurisdictional, multi-generational' outlook with the family very much in mind.

"Our approach has always been medium-to-long-term which means that we don't rush into the latest investment fad in pursuit of quick, but risky, gains," said Cutts.

"Our platform is open architecture. We believe in always acting in the clients' best interests, not in product pushing. An open architecture platform allows us to offer our clients the best bespoke solution for his/her needs. We select fund managers (30 fund families and 15 external managers) according to their performance."

Short-term gains and 'product pushing' for league table places and assets under management bragging rights are not strategic pillars in RBC's strategy, although Cutts admits that a more visible position in league tables is an inevitable consequence of success – and while not unwelcome, not the driving force behind the growth of the business.

Canadian Banks 'Punching Above Their Weight'


RBC Wealth Management doesn't rule out any further acquisitions. "We have shown over the past few years that we are willing to invest in the right business – especially if it improves our

operations platform and helps us to increase our distribution," said Patterson.

In an earlier interview with thewealthnet Patterson noted: "Acquisitions are one of our strategic initiatives. The last one we did in the British Isles, prior to the Mourant deal, was in 2005 when we purchased the Abacus group of companies. In many respects the purchase of Mourant Private Wealth was an extension of this strategy."

One of the reasons that RBC has such hiring clout and is such a pull for HNWI's is that it has deftly avoided becoming embroiled in the sub-prime debacle and avoided over-leveraging its balance-sheet.

No Canadian bank has yet needed government assistance and the still strongly-capitalised Canadian banks now punch well above their weight globally, representing 12 percent of the MSCI Global Bank Index and nearly 11 percent of the FTSE Global Bank Index.

RBC Wealth Management is quite clearly following this path of 'punching above its weight' and intends to end the year as it started it – building up its business. It's just that it won't be quite so discreet anymore and certainly not below the radar. RBC is well and truly on its way to becoming a major player and 2009 could well be its year. 

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