

News for Banks

Partnering: opportunity for expertise



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The round table discussion shows that a partnership with UBS can pay off for a smaller private bank as more and more financial services providers are under pressure to adapt their IT systems to new business needs and in some cases to replace them. The complex requirements mean that it is increasingly difficult to achieve the commercial break-even point for

investments. A senior executive from a Zurich-based private bank and a consultant discuss the issue with a UBS representative. “Partnering” results in a win-win situation, enabling the smaller bank to concentrate fully on its core competency – delivering advisory services.



Financial Services Group

Round table



Christian Hafner, Romano Kratter, Francesco Morra

Romano Kratter

Christian Hafner: *Dominick Bank chose UBS as its partner bank. Why? What advantages do you expect to gain?*

Romano Kratter: In future, only global players and niche players will have a place in our industry. Banks which are neither one nor the other are going to have a problem. We have positioned ourselves as a niche player. Back in 1997 when our bank was founded, we already embraced the partnering philosophy by outsourcing our middle and back-offices. Both cost and quality considerations argued in favour of us concentrating consistently on our core competencies, buying in the other services from partners. We set out to find a partner able to supply us with a broad range of services. After completing our evaluation, our choice fell on UBS because we are convinced UBS is the right partner for our needs. Cooperative ventures of that sort were nothing new in themselves, but we wanted to do it consistently and systematically: instead of 18 brokers we now have one major preferred partner. From payments, through research material to execution, the deal includes the full range of capabilities.

Francesco Morra: Clients are growing increasingly demanding when it comes to products and services like tax and asset reporting and e-banking tools. Smaller banks have trouble amortizing the investment needed, but for compet-

itive reasons they can't afford not to offer these services. Independent, fully integrated banks with less than CHF 25 billion in assets under management would have to absorb a level of IT investment that would no longer be commercially viable.

Kratter: We don't deliberately have any products of our own. We see our role as being to find solutions, and product selection is the consequence of our advisory philosophy. There are enough bank products around. What we do is act as "orchestrator".

Hafner: *Mr Morra, does this approach make sense?*

Our core competency is private client expertise. (Romano Kratter)

Morra: I very much like the idea of being free to concentrate fully on core competencies, on relationship management. Once that fundamental decision has been carefully evaluated and taken by management, swift and radical execution will be critical for its success. There would be no worse scenario than

if the costs of all the existing internal systems were to continue to pile up in parallel and for a protracted period of time. This makes it imperative to establish a relationship of trust quickly with the partner bank.

Aren't you afraid clients will defect to UBS? (Christian Hafner)

Hafner: *What benefits has the cooperation brought so far?*

Kratter: The service we get from UBS's Intermediary Desk is excellent. In future, we will be taking advantage of the full range of services offered by UBS under its "The Bank for Banks" product offering – from physical banknote and precious metal transactions, access to UBS research, central securities custody through payments, the trading platform with access to 50 markets right up to refinancing. We are implementing the collaboration progressively, and all modules should be up and running by the end of January 2002.

Hafner: *Aren't you afraid clients will defect to UBS?*



Christian Hafner



Romano Kratter

Kratter: Our core competency is providing client expertise. If a client prefers to have his or her account with UBS but still wants to use our advisory capabilities, we have no problem with that. In any case, there are certain complicated types of service, for example preparing tax statements for non-Swiss clients, that only a global player is really equipped to handle. Of course there were discussions within our Board of Directors: How much licence does the Federal Banking Commission allow? What happens if the partner bank suddenly decides to change its strategy? Essentially, though, it's a win-win situation.

There are enough bank products around. What we do is act as “orchestrator”.

(Romano Kratter)

Morra: I don't see client defection as a real threat. On the contrary, the more time and resources management can invest in clients, the better. You can generate more client utility quicker if you are free to focus on responding to client needs in an optimum way in-

stead of grappling with back-office functions.

Hafner: *At UBS it's often hard for us to know if potential partners have already gone through this strategic process. For what type of bank is the strategy pursued by Dominick Bank suitable?*

Morra: Wherever the production of specific products and services requires a certain critical mass or where there are clear economies of scale to be had on the cost and quality side.

Kratter: In the course of an intensive workshop, our Board of Directors and management agreed on a strategy for the future. For banks, this is one of the most critical existential issues.

Hafner: *This partnership enables you to get a handle on your costs. But that doesn't necessarily mean that it will enhance your revenues. Can you cite an example of how you were able to deliver a new service thanks to your partnership with UBS?*

Kratter: One current example is mortgages. Having our own inhouse mortgage specialist would obviously not be cost-effective for us. We were approached by a foreign client who was planning to establish his domicile in

Switzerland and found a company in the following areas: obtaining work and residence permits, founding the company, buying a house and finding office premises. In partnership with UBS, we were able to cover the client's mortgage and e-banking needs. The partnership with UBS allied to the advisory expertise of Dominick Bank resulted in an attractive package.

Hafner: *That's something we often hear from clients who want to keep their equity base low. There are banks which also use our processes for collateralized lending. But how much can a bank outsource and still remain a bank?*

I very much like the idea of being free to concentrate fully on core competencies, on relationship management.

(Francesco Morra)

Morra: The legal prerequisites for maintaining a banking licence naturally have to be investigated in each regulatory



Christian Hafner



Francesco Morra

environment. But for me this is less of a regulatory issue. Dominick Bank is a private bank active in wealth management. Faced with the multitude of services typically demanded by clients today, many banks are opting for the partnering approach. More and more banks are going to have trouble providing these system-driven services at a reasonable cost. Seen from this angle, there will be a growing trend towards partnerships between small banks and big banks like

UBS. It's a win-win situation. The smaller players gain access to services which they could only produce on a stand-alone basis at prohibitive cost, while the big banks can run their systems at higher levels of capacity utilization.

Kratter: We are currently evaluating further joint-venture partners. If there is added value in it for us, we are definitely open to further collaborative proposals.

The Boston Consulting Group

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Dominick Bank

Dominick Company AG is a Swiss full-service private bank. It is an independent provider of private and investment banking solutions. It operates with a team of highly experienced advisors and is committed to long-term client relationships.

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Production: UBS AG, PB IC Publishing; CC Publishing

Photos: Tina Steinauer

Date of publication: February 2002

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