"Clients have not been leaving us"

Mr. Zeltner, UBS has been present in Asia for decades. How much has the bank been impacted by the stock market turbulence in China?
As the region's leading wealth manager, we have of course felt the turbulence. When stock prices correct sharply like they have done in China, it has an impact on the assets we have under management and the business. In addition, the entire region is deleveraging, as debts are being pared back. But we have weathered this storm very well In fact, the correction was foreseeable after the multi-year growth phase. But the speed and the intensity of the correction did come as a surprise. The sharp drop has shown that the Chinese stock market is less robust than previously thought, especially given the country's major economic importance.

What has UBS learned from these events?
Our task as a bank is to cut through all the volatility, provide an analysis of the situation, determine the global trends and advise our clients. Clients want to know where the road ahead is leading. This in turn opens up new opportunities for us.

What specifically have Chinese clients been doing?
Many Chinese investors tend to have a short-term investment style. They invest primarily in the huge domestic market, and mostly in the real estate sector. That's why some investors had to absorb some rather hefty losses. We have the opportunity now to show them how much better they would have done had they diversified their investments at the global level. Instead of losing 20% to 25%, they would have been down only 5%.

Is Asia still a market of the future for wealth managers, despite the recent turbulence?
Yes. No doubt about that. Wealth is growing at twice the rate that the economy is. We are the market leader. And with our global architecture and our comprehensive offering, we can make the most of the opportunity to position ourselves correctly in this growth region.

Switzerland's two largest banks are touting their integrated business model in this region, a model that combines wealth management and investment banking. Does this model really generate the synergies that you are looking for?
Absolutely. We have participated in more than half of the IPOs in Asia. In this way, we have helped first-generation entrepreneurs to obtain the funding they need in a capital market that is not well developed. This helps them to ensure the future of their companies. What's more, an increasing number of investment banks are starting wealth management activities in the region to ensure additional earnings. Against this backdrop, the cooperation between wealth management and investment banking absolutely makes sense.

There are some leading Swiss banks in Asia that are successful only with wealth management. How is that possible?
Compared to UBS, the banks that focus solely on wealth management are niche players. In the market region of Asia alone, our bank manages assets worth 274 billion Swiss francs. That is more than almost every pure Swiss wealth management bank manages in total. In addition, Swiss banks in Asia and other emerging regions have always enjoyed a good reputation. So there's room for the niche players, even if they have to buy a portion of the service package that they provide. But the strength of a global and fully integrated bank is greater. Our numbers over many quarters have proven this. Last quarter, Asia was responsible for the largest share of operating profit in our wealth management business. No other Swiss bank can say this.

How is business in the mature markets of Europe? Is tax regularization in the region now complete ?
Yes, for most of Europe we have reached new agreements on taxation. The agreement with Italy is also about to be completed. Either clients have had to present the tax documentation we requested to us, or they have had to close their accounts with us. Clients in France have also regularized their tax situation, but the tax investigation there is still underway.

The banks moved quickly to implement a white money strategy. It's almost as though the banks saw the private tax affairs of their clients as an obstacle to moving into the new global banking world. Is this a correct impression?
I can understand that a person could have this impression. The fact is, however, that we do not set the legal framework conditions. Given our problems in the US, and support for tax transparency and to the automatic exchange of information, the issue is primarily one of protecting clients, not the bank. Clients must understand that information will be exchanged without their explicit consent. This cannot be avoided. It is the new worldwide standard.

But why has the change come so rapidly?
For tax issues the entire institutional responsibility falls on banks, and the automatic exchange of information provides clarity for the future. That's why we have adjusted our business to match the new reality. Clients have not been leaving us because of these changes.

What do you think of the Swiss Federal Council's efforts to implement an automatic exchange of information within Switzerland itself?
As I said, we do not set the legal framework. However, I cannot imagine that Switzerland will commit itself to an internationally recognized standard but not apply this standard within Switzerland.

Anything else would be like a rearguard action?
My view is that it is always good to move forward.

The digitalization of the banking business is progressing rapidly. Bank clients are increasingly well informed. How can a wealth manager even make money these days?
I see this development as an opportunity. When I got into the banking business many years ago, it took a computer in a branch office the whole night to process transactions. Most of the work consisted of preparing information for clients and then executing their orders. Nowadays clients have all conceivable information at their fingertips any time of the day. Despite this, UBS is more successful today than it was back then. The challenge for a wealth manager today is to filter out the information that is really relevant for the client. The key to success is to provide clients with a comprehensive advisory experience to protect and grow their assets.

Do client advisors have to fear that the new technology will push them out of the picture?
A bank must be capable of supplementing its traditional business model with new technologies. Clients still want to have a personal meeting with their advisors. One of the advantages of digitalization is that digitally active clients execute 1.7 times more transactions than traditional investors.

Asian clients in particular generate a lot of transactions. Do Asians use modern technology with a greater intensity than we do?
No. The trend in terms of technology is not more advanced in Asia than it is in the European markets. But client behavior is more similar across the board in Asia. Even very wealthy clients use the new technologies. In contrast, wealthy clients in Europe often have their assets managed by a family office. This kind of structure is less common in Asia.

Do you see fintech companies as competitors? Are they a threat?

Banks must also come to grips with innovation developed by fintech companies. At UBS, it must also be possible to set up a financial plan with just a few clicks of the mouse. The way these start-up companies think is changing the banking business. Yet despite all the glowing reports about fintech companies, it's worth remembering that the average amount they manage per client is only 2,000 dollars. Wealthy people want to have the security that a bank offers for their assets. Banks still hold the upper hand due to regulation, and the requirements for capital strength and transparency, all of which guarantees security. The barriers to entry are high for fintech companies.

What is the key to success in the wealth management business?
Providing clients with quality service over the long term, and in doing so growing profitably. Not as easy as it sounds. After all, shareholders and clients have very clear ideas about how their bank should perform. Unfortunately, the fast-moving nature of the business often obscures the full picture. The most difficult thing, but the one that is most crucial for success, is execution excellence. This means doing the right thing for clients by being in the right place at the right time with the right people.