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OBSERVATIONS

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# Why we need Human Private Banking



"Banking is necessary; banks are not" - that was the assessment of Microsoft founder Bill Gates in 1994. Even then, it was clear to that visionary that the raison d'être of traditional banks needed to be questioned. But why? Is it because regulation makes business more difficult, and the rapid pace of digitisation opens new avenues for banking transactions? Or is there more to it? Is it also the propensity for "shady business" that is perhaps inherent in banking, but which is certainly said to be the case, that makes banks seemingly unattractive as a solution? When can banks, or even bankers, be trusted at all? Will banks soon become obsolete?

# "Stagnation is not an option!"

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I can answer this point clearly: No.
Good, personal service will never be superfluous or obsolete, even in an environment of increasing digitalisation and robotic standardisation.
Good online banking cannot replace a skilled advisor. Nuanced support on a human level will never lose its importance. Nevertheless, certain approaches and attitudes in private banking are increasingly becoming less sustainable.

For 22 years, as a lawyer, advisor to demanding international clients and private banking manager in the countries of Germany, England, Luxembourg, and Switzerland, I have observed the relationships of clients with their advisors and bankers. The result of my observation is without question: That relationship is the be-all and end-all of a successful private bank and a successful investment strategy. But it has also been subject to profound changes over the past 22 years.
It is the advisor above all who must adapt to these challenges. Experience shows that not everyone is willing or able to adjust. This may not be significant, were it not for the client.

High net-worth individuals are reliant on private banks, whether they like it or not. They need them to keep their assets safe, to protect them and to grow them. They need them to process payments, acquire assets and much more. And the banks? Well, they not only have a key role to play, but above all a major responsibility for the assets entrusted to them and for the trust that customers (must) place in them. Clients are supposed to have faith in the banks and entrust them with the fruits of their life's work. The dilemma, however, is that banks and bankers are not always regarded as having a good track record.
In fact, the opposite seems to be the cas

The press coverage proves it: Wealthy clients are supposed to have trust in the banks, but then have to read on an almost daily basis that many bankers are dubious, if not downright delinquent. Hardly any other sector attracts such negative attention.

"On expenses to the strip joint"!, "Swiss top banker arrested on Mallorca"!, "Big bank stumbles from scandal to scandal"! A simple Google search and these are the headlines. Banks have to reserve much more money than expected for legal disputes. Funds are embezzled and taxes evaded. People spy on each other, fly around the world in private jets or go to disreputable bars at the bank's expense, and high-ranking bankers believe that different rules apply to them than to any other person or even to their clients. No scandal is overlooked.

Why is this the case with bankers in particular? How can we separate the wheat from the chaff? If we take a closer look at the conspicuous bankers, they all have one thing in common: They are completely disconnected! They seem to have decoupled themselves both from their vocation and from their clientele. Their own interests clearly take precedence over those of their clients, employees, and other stakeholders. They are, one can read, very narcissistically inclined individuals who forget that ultimately, they should be there for other people and not the other way around. They are individuals who have lost touch with reality.

They also forget that they are supposed to work for their clients and not the other way around.

They forget that their actions can sometimes have very severe effects on other people. And they forget that they must earn their high position through their behaviour everyday anew and should not exploit it for their own good.

Properly understood private banking and good, trustworthy bankers put people, especially clients and colleagues, at the centre of what they do.

At Bergos, we call this type of private banking "Human Private Banking". We are committed to this approach. For us, it means that it is not just about the often unremarkable, routine investment of assets. Rather, we are concerned with understanding the client as a human being with all his or her diverse needs and placing them at the centre of our activities. We develop and evolve our services in line with these needs and ensure that their requirements are fully met.

For this approach, we need the right team. For us, Human Private Banking therefore also means focusing on respectful, cosmopolitan, and empathetic employees and offering them an environment in which they can perform at their best and independently, detached from the sometimes constricting hierarchies of a bank.

As a Swiss Private Bank, we also feel an obligation to the social environment in which we are allowed to operate. For us, Human Private Banking therefore also means assuming social responsibility, and in particular, complying with the ESG criteria for our environment, our society and in our corporate governance. We want to live it and not just offer our clients an "off-the-shelf" product, the way many competitors do who believe that they have therewith as such fulfilled their obligations.

Our unique structure has made us predestined to provide Human Private Banking. We are not a large bank whose focus is on the interests of management and shareholder value. Nor are we a bank owned by a family that has no interest in the bank or sees it as a cash cow to help fund their lives. We are owned by some very accomplished entrepreneurs whose needs and interests are congruent with those of our clients and who do not need the bank to finance their livelihood.







Properly understood private banking is less a matter of the distribution of financial products and the mere investment of assets. Properly understood private banking is above all about the client, about advising him or her in all matters that could have a direct or indirect impact on their assets. Direct effects are always the concrete investment decisions of the client. Indirect effects are all events arising from the concrete circumstances of a client's life, such as those arising from marriage, family, business ventures, and passions. Major transitions in life - birth, finding a career, marriage, divorce, death, etc. - can sometimes have a much more profound impact on wealth than, for example, the question of whether it should be invested in Fund A or Fund B, or in this or that stock.

Properly understood, private banking sees the customer as what they are: as a human being! With complex backgrounds, the scope of which is sometimes not clear to them themselves; with passions that need to be considered; with families that live all over the world; with ventures that grow or cause them concern; with hurdles that appear almost out of nowhere.

Private banking understood in this way requires a lot from the client advisor. And above all, it requires humanity! The advisor must be able to dive deep into the life of a client and identify dangers or challenges for their assets. He must then be able to address these in the appropriate form, with openness, but also respect and empathy, to then find the best possible solution in cooperation with the client.

The advisor does not have to be a lawyer, tax consultant, management consultant or entrepreneur. However, he or she should have the experience and special insight to anticipate the challenges facing the client. The bank, in turn, must give its employees the appropriate freedom, must not exert sales pressure, and must have a network of mostly internationally active specialists in inheritance law, family law, tax law, family governance, business succession law, M&A advisors, and other experts at its disposal. This, too, is Human Private Banking. Because it uses these professionals only for the benefit of its clients and only when they are needed. It is not beholden to any of these advisors, nor does it "owe any favours" and, again, exerts no sales pressure.

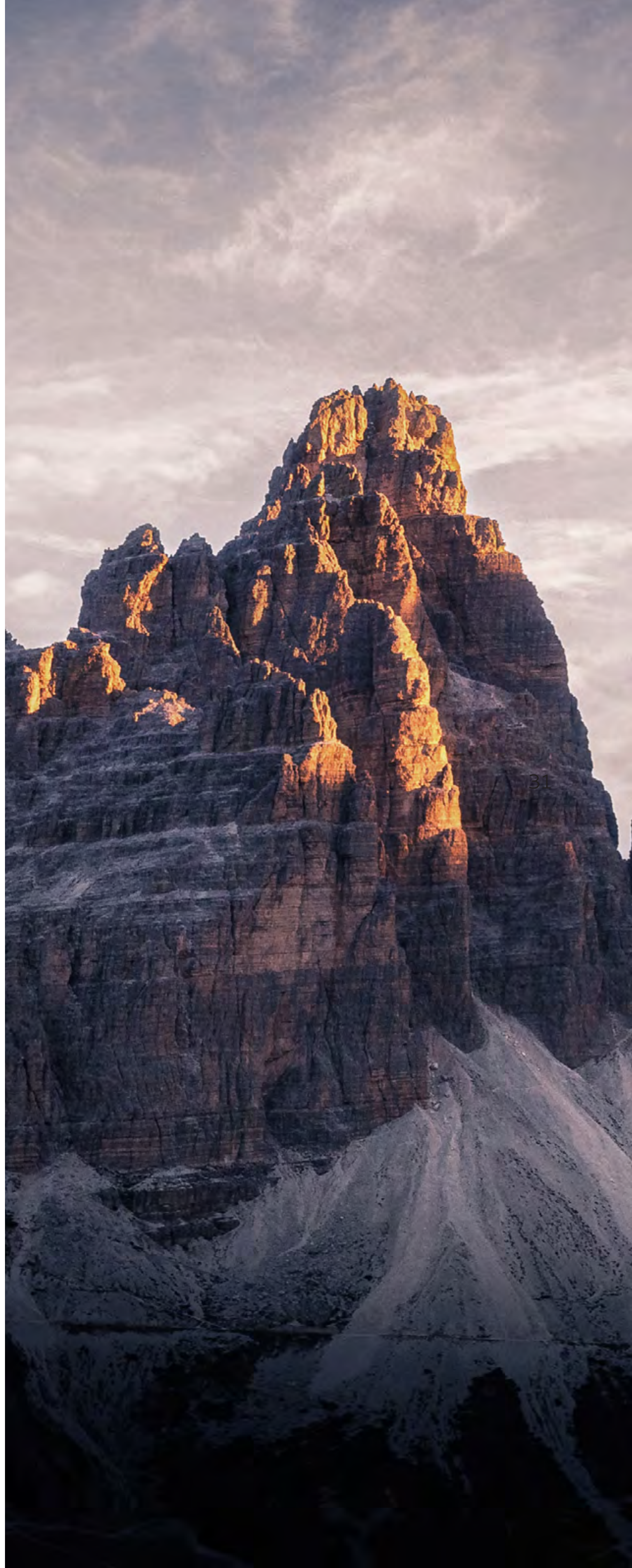
The advisor is the most important link between a bank and its clients. They act in a two-way relationship. In addition to the skills described above, he or she must recognise the needs of clients and use all his or her bank's services accordingly and in the best possible way for the client, but also develop them internally. In the interest of all bank clients, advisors must continuously communicate the frequently changing needs of their clients to the bank and their colleagues, exchange ideas, and get involved so that the bank can continuously develop appropriate offering for the clients. And above all, they must be able to build up a strong relationship of trust with the client and prove time and again through their work that they deserve the client's trust.

In the last 20 years, the job description of a client advisor in private banking has undergone a great deal of change. When I came to Switzerland in the spring of 2000, an advisor still did everything by themselves for their clients. As an investment advisor, they were a decentralised asset manager, canvasser, foundation and structure advisor, sat on foundation boards, travelled and often went to lunch or dinner with clients. They sold funds and financial products from friends all over the world, or those that offered the highest possible kickbacks. If the earnings situation was poor and the desired bonus was at risk, products with non-transparent fee structures were "pushed" into the clients' portfolios.

An advisor saw the bank's clients first and foremost as his clients. They were your security, your "insurance," the basis of your career and sometimes your wealth. In the past, a relationship manager did almost everything for his clients, and above all, everything was done alone, since it was important to keep the client away from other, perhaps even better, advisors. Even without much professional development, you became popular with your clients and made a career for yourself. This was also possible as investment success, i.e. performance, mostly came automatically and the client frequently didn't pay too much attention.

Investing was not particularly complex. For a long time, stocks only went in one direction, bonds generated a regular low-risk income with interest rates that were still quite high at the time. Even fixed deposits could generate a satisfactory return. At that time, the regulators had not yet caught on to the hustle and bustle and were therefore quiet. Globalisation was still in its infancy; email was the ultimate in sophistication and you could be proud if you had any kind of presence on the Internet. "Private  Markets" were not even a concept. Clients were usually less informed, and happy about every positive return. M&A, private equity and venture capital were foreign words for many, " the devil's work" or something by and for the super-rich. This has changed a lot recently and especially in the last 10 years.

For years, all of us, clients, and banks alike, have been struggling with negative interest rates. These and almost endless liquidity cause an enormous attractiveness for private markets and real estate. But also, the values of shares



and unlisted companies often went "through the roof" solely driven by liquidity. Fixed income securities, which used to be considered one of the safest investments with good returns, became, if one was not careful, a very risky and non-profitable investment. We also had to learn to deal with profound crises, political and geopolitical uncertainties, major threats to our health and social structures. Globalisation has led to a strong internationalisation of our clients and the investment environment.

The regulators never tire of intervening more frequently and more forcefully in the bank-client relationship.

A very big, if not the single biggest challenge, comes from technological change, which goes hand in hand with profound social change.
To put it bluntly, everything is becoming faster, more complex, more complicated, more transparent and more convoluted by the day.
Clients are becoming increasingly better informed. Young employees sometimes have highly relevant specialised knowledge that older employees can't or don't want to acquire. This inexorable change is bound to have an impact on the job description of a relationship manager. He or she can no longer do everything themselves as they once did and as they see fit. They must focus their efforts and, above all, keep an eye on their clients' needs. They must recognise their limitations and, above all, be prepared to seek support from other experts at the bank for the benefit of their clients. Ideally, they should establish a team of experts to support the client, since they are the ones who know the client best.

It can be observed in banks that many advisors, especially those who grew up in the old system, still regard a bank's clients as their own clients. This approach is never in the best interest of the client. Never! They continue to shield "their" clients from the bank's expertise, they don't let any, or only very few, colleagues, mostly subordinate to them, have access to "their clients". Their main concern is not to let any other advisor







touch their clients, who could represent competition or even question their "unquestionable" expertise. They do this for purely selfish motives. Because the client is, and they often say this bluntly, their insurance. If you have enough "own" clients, your job and bonus are secure. You can sit back, believe you can do what you want, you don't have to worry about your future and, above all, you don't have to adapt.

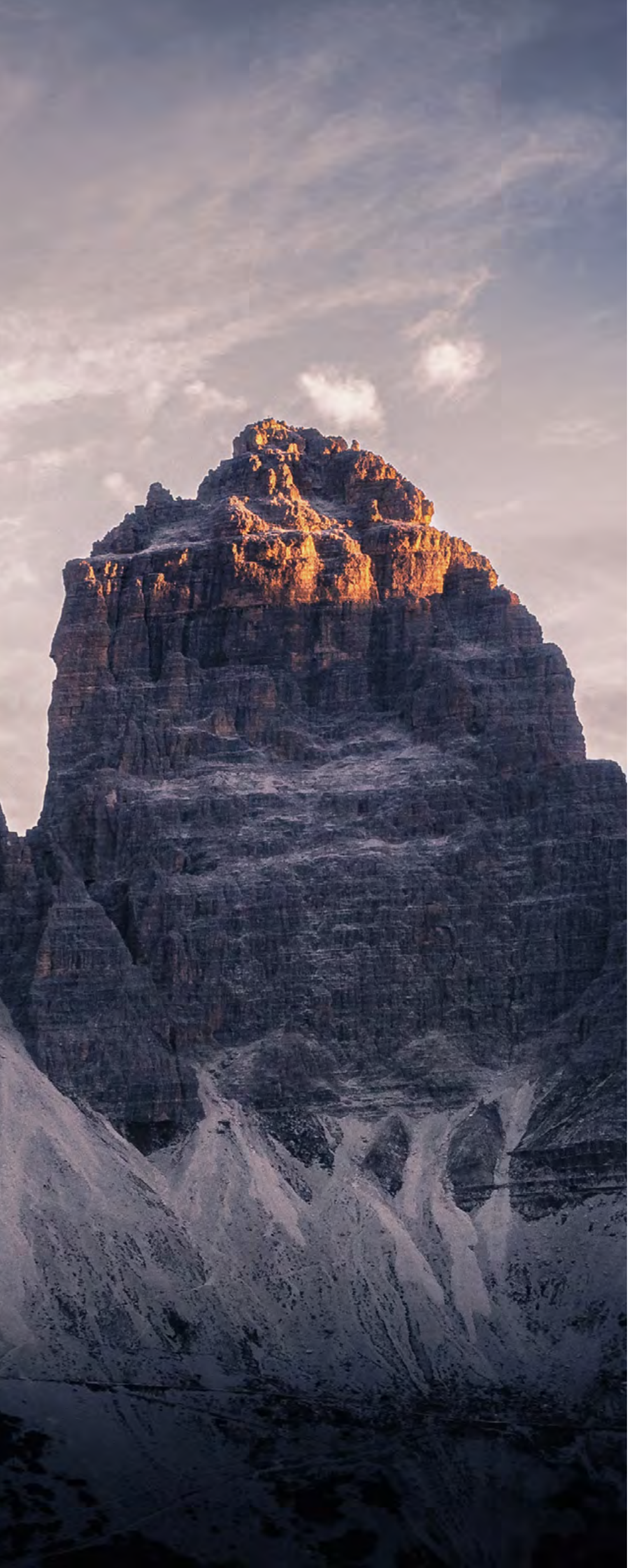
As Picasso once alluded: Constant development keeps you alive. Standing still is not an option. Advisors of the kind described do not grow further after a certain point. Since they do not want to face the challenges of the time, they are less and less successful in acquiring new "own" clients. They are completely uninteresting for clients of the next generation. This leads to stagnation and ultimately to standstill.

What does this mean for clients? Check whether your bank offers you human private banking. As a client, you should always look critically at the system you are in and question services and offer. You should also put the advisor's know-how, openness, flexibility and approachability to the test and verify them regularly.

Especially if clients have built up a very close, perhaps even friendly relationship with their advisors over the years, they should, in their own interest, always check the relationship for professionalism. After all, it is their assets that are at stake. It can't just be about whether the advisor is nice, plays good golf and seems to take care of everything.

Question them and question their bank, their approach, their conviction and ability to adapt. Above all, check whether your advisors and the bank want to focus on you as a human being and offer you "Human Private Banking".

Can you rest in the conviction that you are understood by your advisor and by the bank as an individual worthy of protection? Are they genuinely interested in you, your family, your challenges and interests? Or are you a number,





representing only a certain proportion of the assets under management, just another client? Are you or are your assets the focus of attention?

Talk regularly with the management of your bank and let them present on your challenges and the strategy they develop to address them. At Bergos, in addition to senior management, the other owners are available to you for such important conversations.

Asset protection goes beyond investing. Are you perceived as a client in the complexity of your life? Is every facet of your circumstances considered and are you introduced to the appropriate experts?  Have the entire range of services offered by your bank been presented to you again and again, as if they were just trying to sell to you? Be sceptical if you are not introduced to experts for the different asset classes or services, and the advisor pretends to be able to do everything on their own. Check whether they are deliberately trying to shield you.

Question the ability of the bank and the advisor to adapt to the fast-changing challenges of the times. Also check whether expert knowledge is being built up and made available through the advisors. In today's environment, it is impossible to have all the answers. Does the consultant consult other experts? Where and how does he look for solutions?

A bank should focus on the client as a person with all their needs and on respectful, open-minded and empathetic employees to take care of them. In turn, it should offer them an environment in which they can develop effectively and independently, detached from the sometimes constricting hierarchies of a bank.

The relationship between clients and their advisors is essential for private banking. However, it is also subject to dangers of which a client must be aware. The client advisor must be adaptable and must not exploit the interests of his clients for his own ends.

Clients should constantly review their relationship with their bank and its advisors, and check whether they are being provided with all of the bank's expertise.

They should also repeatedly assess the bank to see whether it has the necessary adaptability and whether it is developing for the benefit of its clients. Finally, they should check their private bank to see whether it credibly offers them Human Private Banking. After all, only with Human Private Banking will a bank ultimately live up to its responsibility towards its clients, its employees and the society in which it is allowed to develop.

Bergos is committed to this approach. It is noteworthy that within the banking industry we seem to be the first bank to do so.