

## **EXCLUSIVE INTERVIEW: REYL Aims To Raise Swiss Banking's Game; Highlights Corporate Advisory Value**

Tom Burroughes, Group Editor, London, 13 November 2015

Corporate advisory work is an area of business that this relatively youthful Swiss private bank argues is an important string to its bow. It also explains some of its targets and strategic goals.

**Swiss private banking needs to change – so goes a common refrain. With margins under pressure, the hunt is on to find new value-added service offerings for which clients will be willing to pay. One of the young Swiss banks is REYL & Cie. This publication recently interviewed Christian Fringhian, partner and head of corporate advisory and structuring at the firm.**

**How would you best describe what sort of bank Reyl is in terms of its approach, business model? What is unique or distinctive about it?** Created in 1973, REYL & Cie has now developed a well-diversified range of financial services which encompass wealth management, our historical core business, asset management, corporate and family governance, corporate advisory and structuring and asset services. Across these five distinct yet complementary business lines, we target a client base comprising of international entrepreneurs and institutional investors with an expansion strategy oriented towards the high growth regions.

Over the past decade, the REYL Group has indeed managed a solid geographical diversification, gradually building up its international presence. In addition to its head office in Geneva and offices in Zurich and Lugano, REYL & Cie now operates in London, Paris, Luxemburg and Singapore. This year, we have also opened new branches in Malta, in the US and the United Arab Emirates.

What certainly sets us apart is our willingness and our capacity to incorporate the entrepreneurial dimension of our clients in relation to the overall management of their assets. REYL & Cie is a private bank managed by partners with a strong experience in investment banking. They understand the central role played by the company in the creation of private wealth. Today, a private bank must know how to manage their clients' financial assets, and also be able to take full account of the associated corporate dimension. For REYL & Cie, this is a natural extension of its traditional businesses.

Wealth management might be our historical business line but corporate advisory is part of our genetic code.

**During our recent meeting in London, we talked a lot about corporate advisory as a key part of what Reyl does and a way for Swiss banks to add value in a more challenging environment. Please describe the sort of corporate advisory that Reyl does, in terms of the range of services, areas of expertise, etc.**

In the field of corporate advisory, we have developed a range of products and services in order to meet the expectations of cross-border entrepreneurs. We can now help them reach and manage key milestones in their companies' development and success. Drawing on an interdisciplinary team with in-depth expertise, we cover most sought-for areas such as strategic advice, financing strategies, capital raising, balance sheet restructuring and optimisation, recapitalisation, mergers and acquisitions. Our latest achievements for instance have led us to place more emphasis on the origination, structuration and execution of private debt financing. We have now acquired a solid know-how in that particular field. But most importantly, as we remain the corporate arm of a private bank, we also assure our clients that the development of their corporate assets will be fully integrated into the overall wealth management process. We answer our clients' need for a bank that can successfully align wealth management services with corporate advisory services in an integrated way. Few banks can actually provide such an alignment.

**With corporate advisory, how does Reyl avoid the worry that private clients might have about being sold products/services they might not want? Does Reyl consciously seek out business owners as clients who would want corporate advisory as a core part of the business offering?**

We avoid this type of conflicts as selling the assets originated by our corporate advisory activity to our wealth management customer base is not the distribution strategy that Reyl corporate advisory and structuring is favouring. On the contrary, our investors mostly come from outside the scope of the bank. On rare occasions, we may propose the assets to the bank's most entrepreneurial clients, due to his professional background and investment expertise, but this in-house approach does not really fit our distribution strategy. Although complementary our wealth management and corporate activities tend not to overlap on the sell-side.

To address now your second question, there is a natural and historical bias for REYL to attract entrepreneurs. This accessible (transversal) approach allows us to develop synergies between our business lines. Our corporate clients do not need to register first with the bank, there is no such requirement. However when you help an entrepreneur to raise new financing or for the acquisition of a competitor, the entrepreneur usually acknowledges the value REYL has created and is thus likely to call on our wealth management or family governance services.

**Swiss banking has had to go through a lot of changes because of pressures on secrecy laws, etc. How do you see the added value corporate advisory work you do as helping to move on from this and sustain profits?**

Swiss private banks could benefit from increased diversification of their business model, which places too much emphasis on wealth management. Margins are eroding continuously and operational challenges are mounting. This line of business is no longer generating sufficient and, more importantly, sustainable value to preserve profits. Swiss private banks should therefore look beyond and seek relays of growth in order to remain competitive. There is no doubt about that. By focusing exclusively on financial assets, key constituents of their clients' overall wealth such as the corporate assets have been neglected.

The Swiss banking industry benefits from well-established competitive advantages. Increased banking regulation creates new challenges to banks, and one of the most efficient ways to address these challenges is to identify and implement new activities which create higher added-value services for their clients. Corporate advisory is a natural extension of the wealth management industry.

**There is a blurring of lines in many cases in wealth management between individual wealth and the corporate side. Do you think your business is well placed to deal with this?**

At Reyl & Cie, we have always considered companies as assets in their own right, which deserve a full range of services, from financing strategies through to divestments. We believe that the value created by Reyl corporate advisory and structuring at the corporate level contributes substantially to growing the asset base. Building on their previous experience as investment bankers, REYL & Cie's managing partners understand the realities and challenges an entrepreneur is facing. To help an entrepreneur manage his wealth efficiently, we know how important it is to help him manage his business as well.

**Scale can be an important issue for banking, given cost issues, regulations and capital requirements. Is your banking model large enough to act in ways that clients want? Do you think further expansion in size will be necessary?**

We consider further expansion of the Corporate advisory and structuring business as it falls within the scope of our development strategy. We are still newcomers in the field of corporate advisory but we have assembled a team of highly experienced professionals and we are fully committed to our growth plan. At Reyl & Cie, we think that it is more a matter of market dynamics than of sheer business model or scale considerations.

For 2013, more than 8,000 large companies, with a turnover greater than \$1 billion, were listed throughout the world. By 2025, according to McKinsey, a further 7,000 could be added to that and 70 per cent of them are expected to come from emerging markets. Over time, these firms will require the assistance of corporate specialists such as ourselves. This is the main reason why we are building our presence in fast growing economic regions such as Asia and the Middle East – in essence where corporate wealth is created. We want to benefit

fully from these major trends.

At the same time, we are well aware that we need to preserve our independent family-owned culture. We aim to maintain this bespoke approach to our clients' needs to avoid functioning in separate divisions with silo mentalities, unable to mobilise multi-disciplinary teams around a joint project. This is exactly the opposite of what we want to achieve.

**How or in what ways does Reyl intend to continue growing? Is it open to acquisitions as part of that? Reyl has a presence now in London - how is the UK part of the business working? Do you expect the London part of the operation to gain a higher share of total revenues going forward?** With the addition last year of the asset services business line to our range, REYL & Cie has completed the horizontal diversification which was initiated almost 10 years ago. From now on, the group will focus on enhancing synergies between its different business units and offices. We want to foster a truly accessible (transversal) approach within the firm. We believe that this is a necessary condition for securing our growth.

At the same time, we will keep strengthening our international developments. We aim to reach out to new customers and our London office will certainly play a major role in that regard. For us, the ability to operate out of London is now essential. Not only is London a major wealth management and investment fund hub, but also a global business and financial center. It is a true gateway to Asia, the Middle East, Russia and the US and, as such, it is a direct access to the international entrepreneurs we are targeting.

To go back to your acquisition point, REYL & Cie has so far favoured an organic growth strategy, with positive results, but we are not ruling out external options on an opportunistic basis.

**Are there any staff recruitment targets? Or, if you don't have a target as such, is there a general aspiration on how you want the business to look in five, 10 years' time?** At the group level, we expect our AuM to grow to between SFr15 billion and SFr20 billion francs by 2020. At the end of 2014, they had reached SFr10.7 billion. At the corporate advisory business level, we have not set ourselves any particular objectives as the AuM metric does not really apply to us. At the same time, it is clear that we intend to increase over time our contribution to the bank's net revenues. Corporate advisory and structuring accounted for 10 per cent in 2014.

On the recruiting side, there are no specific objectives set either but the team will certainly expand opportunistically as the size and number of transactions on which we advise keep progressing.

**What is Reyl's current policy about taking on US clients?** REYL Overseas Ltd, a subsidiary of the bank, has just opened this summer its first branch in Santa Barbara (Los Angeles) in the US. It is registered as an Investment Advisor with the Securities and Exchange Commission (SEC), and it provides us with a strong foothold in the American market, one of the group's development priorities. We have positioned ourselves in the immediate neighborhood of the Silicon Valley and we are targeting the talented entrepreneurs operating in the area. Our views are that REYL Overseas is ideally positioned to offer close support to American entrepreneurs extending internationally as well as to foreign investors who wanting to establish or strengthen themselves in the US.

**Are there geographical market regions where Reyl is not yet present but where it would like to expand into?** In 2015, we opened new offices in Malta, in Santa Barbara and in Dubai. At this stage of our developments, we are positioned where we need to be, with the emphasis on regions which are engineering the strongest economic growth. For the time being, we have no plan of expanding further. From now on, as mentioned earlier, our priorities are rather to optimise synergies within the group in order to provide our clients with the most consistent solutions their wealth structure requires across the board.