

A typical case: a medium-sized bank facing the choice

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To illustrate the issues described in this chapter, let us consider a fictitious Geneva bank of intermediate size, which manages CHF 8 billion for a European and Middle Eastern private client base, employs 120 people and generates a modest profit. Its shareholders, members of one family and a few partners, are wondering about its future.

The first option is to carry on alone. It presupposes investing in technology and compliance, recruiting managers in order to grow and accepting low profitability for several years. It preserves independence, but exposes the bank to continuing pressure on margins and to the difficulty of financing investment.

The second option is to merge with a comparable institution. It makes it possible to pool fixed costs and to reach a more viable size of CHF 15 to 20 billion. It requires sharing power, harmonising cultures and managing the risks of integration.

The third option is to sell to a larger group. It offers liquidity to the shareholders and a platform to the staff, at the price of independence and of the risk that clients attached to the house will leave.

The fourth option is to transform the bank into an independent manager by surrendering the banking licence. It reduces regulatory costs, but requires transferring clients' assets to a custodian bank and giving up the interest margin and custody fees.

Each option has its merits. The choice depends on the shareholders' objectives, the quality of the client base and the teams, the inherited risks and market conditions. The Geneva institutions that have faced this choice over the past decade have taken each of these paths, which explains the diversity of today's landscape.

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Option	Advantages	Disadvantages
Carry on alone	independence, continuity	low profitability, difficult investment
Merge	economies of scale, viable size	sharing of power, integration risks
Sell	liquidity, platform	loss of independence, client departures
Become an independent manager	reduced costs	loss of banking revenues, dependence

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