

Sources of revenue

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A wealth management bank draws its revenue from several sources, whose relative importance depends on its model. Part D presented the traditional revenues of private bankers, which persist in updated forms.

Management and advisory fees are the first source. They remunerate discretionary portfolio management, investment advice and wealth services. They are generally calculated as a percentage of assets under management, with rates that decrease as amounts rise. This structure ties revenue to the value of the markets: when prices fall, assets and fees decline.

Transaction fees, or brokerage, remunerate the execution of stock exchange orders and foreign exchange transactions. They depend on client activity, which varies with markets and strategies. Their importance has diminished with the fall in brokerage rates and the growth of discretionary management under an all-in fee.

Custody fees remunerate the safekeeping of securities and the associated administrative services. They are a stable source of revenue, but one subject to strong competitive pressure.

The interest margin derives from the difference between the interest received on loans granted, notably Lombard loans secured by securities, and the interest paid on deposits. Its importance varies greatly with the level of interest rates. The long period of low, then negative, rates that Switzerland experienced reduced this margin, before the rise in rates restored it temporarily.¹

Product-related remuneration, such as fees earned on in-house investment funds or retrocessions from third parties, completes these sources. Its treatment is governed by the case law on retrocessions and by the Financial Services Act, which require transparency and, in principle, restitution to the client.

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Source of revenue	Basis of calculation	Principal sensitivity
Management and advisory fees	percentage of assets	market values, pressure on fees
Brokerage	transaction volume	client activity, fee rates
Custody fees	assets held in custody	competition
Interest margin	loans and deposits	level of interest rates
Product-related remuneration	funds and products distributed	regulation, transparency

Key point. Wealth management revenue depends first and foremost on assets under management and the fees linked to them. This dependence exposes institutions to market fluctuations and to pressure on fees, while the interest margin varies with the level of interest rates.

1 Notes

1. Negative interest rates of the Swiss National Bank from 15 January 2015 to 22 September 2022, the date on which the policy rate was raised from -0.25% to 0.5% ; “La BNS met fin à la période des taux négatifs” (The SNB ends the period of negative rates), [swissinfo.ch](https://www.swissinfo.ch/fr/actualites/la-bns-met-fin-a-la-periode-des-taux-negatifs), 22 September 2022. ↩

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