

The business model of wealth management and consolidation — overview and summary

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How does a wealth management bank earn its living, and why is the Geneva sector consolidating? This chapter answers both questions by describing the sources of revenue, the cost structure, the performance indicators, the pressure on margins and the possible strategies. It places the consolidation observed in Geneva, from 121 banks in 2014 to 80 in 2024, within an economic logic, and then examines the ways in which the financial centre can preserve its profitability and attractiveness. The figures cited by way of illustration are fictitious unless otherwise stated, since the orders of magnitude in the sector vary considerably from one institution to another.

1 In five sentences

1. Wealth management revenue comes from management fees, brokerage, custody fees, the interest margin and product-related remuneration, all of which depend first and foremost on assets under management.
2. Costs are dominated by staff, technology and compliance, whose fixed component imposes a minimum size on institutions.
3. Pressure on margins, resulting from fee transparency, competition, the end of banking secrecy, fixed costs and low interest rates, explains the consolidation of the Geneva sector.
4. Institutions have responded with five models: the diversified international group, the specialist house, the custodian bank, the independent asset manager and the digital platform.

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5. Swiss stability, the franc, the quality of services, geographical diversification and the Geneva ecosystem remain the arguments that attract an international clientele repositioned towards the top end of the market.

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