



[www.private-banking-dot.com/what-is-a-private-bank.html](http://www.private-banking-dot.com/what-is-a-private-bank.html)

## What is a Private Bank?

**The definition of a private bank is easy to give. A private bank, as opposed to a retail bank, focusses primarily on its customers and gives a more intense, personal and tailor-made banking and investment service to wealthy private individuals.**

### Private banking vs. retail banking or commercial banking

Retail banks provide banking services to the general public. Anyone can open a bank account at a retail bank to, for example, receive his/her salary, pay utility bills etc. A commercial bank provides banking services to businesses and business entities. A commercial bank commonly provides credits to companies and manages accounts out of which salaries are paid or on which sales proceeds are received. A private bank however, specialises in sophisticated banking and investment services for (very) wealthy private individuals on the one hand, and in the wealth planning structures they (often) use to manage their wealth and/ or to keep their wealth safe on the other.

### The history of Swiss private banking

Private banking dates back centuries and the term private bank originates from the ownership of the bank being in the hands of one or several private individuals, which were fully liable with their private assets for all the debts of the bank. Although some benefits can be ascribed to the ownership of a bank being held directly by private individuals (i.e. partnership), nowadays there are hardly any 'real' private banks left. Almost all Swiss private banks are now legal entities. Consequently, although the nomenclature may suggest it, the private ownership of the bank is no longer inextricably connected with the private banking services it provides.

Nowadays the term private banking is commonly used by any bank for banking services provided to wealthy persons and (Ultra) High Net Worth Individuals ((U)HNWI). And private banking is being provided by numerous banks located both onshore (depending on your home country) and offshore (in various foreign jurisdictions).

### Different client categories

Most Swiss private banks have divided their clients into several categories:

- affluent clients,
- private banking clients, and
- wealth management clients.

Although every bank uses its own categorisation, affluent clients are often clients with investable assets in the range of USD 250.000 - USD 1.000.000. Private banking (clients) services start mostly at USD 1 million and wealth management services are often offered with respect to investable assets of USD 20 million or more. Nevertheless private banking and wealth management are often used interchangeably and quite a few private banks do not distinguish between the two last categories at all.

## **Different client categories, different service levels**

A private bank will offer its clients a higher service level than a retail bank:

- For the affluent client these services will primarily consist of a broader range of (international) investment products. A relation manager in this segment normally takes care of several hundred clients.
- For the typical private banking client with investable assets of over USD 1 million the cooperation with a private bank is not just aimed at managing the client's investable assets through sophisticated investment products, but at supporting the client with his/ her overall financial situation as well. A relation manager in this segment normally takes care of seventy-five up to a hundred clients.
- Wealth management clients with investable assets of over USD 20 million will often have direct access to financial experts such as Investment Advisors, FX-traders, Credit specialists, Wealth Planners, etc., or may even benefit from in-house family office services. A relation manager in this segment normally takes care of no more than twenty-five clients. Clients of this size often also make use of an independent family office.

## **Banks without segmentation**

Not every bank applies client segmentation so strictly, especially with regard to the difference between the private banking and wealth management level. In those banks the emphasis is more on long-standing relationships in combination with a focus on specific geographical markets. This approach is often considered as more personal and quite often results into long-term relationships between the relationship manager (banker) and the client. Sometimes these relationships last for decades and cover several generations.

Although we speak about private banking services provided to (U)HNWI in this section, in the majority of private banks this also includes the accounts held by structures commonly used by (U)HNWI, such as International Holding Companies, Trusts, Foundations, Limited Partnerships and Life Insurance policies.