

Trends and Prospects for the Development of the Global Private Banking Market

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Abstract. Due to the increase in the number of billionaires in the world, the importance of private banking has been increasing in recent years. The COVID-19 pandemic accelerated the process of introducing digital technologies into the private banking sector, and banks that did not plan changes in their business models due to the preferences of their VIP clients had to adapt to the new conditions. In these conditions, the problem of maintaining the loyalty of borrowers becomes particularly relevant for them. The article is devoted to an overview of the digital transformation of private banking services, as well as determining the prospects for development in this sector.

1 Introduction

In modern realities, the activities of commercial banks have a universal character, that is, they are aimed at providing various types of services to firms and the public [1]. In such conditions, such a direction of development of the banking services market as banking services for a certain category of customers, in particular, customers with large capitals, has received its formation. In the context of digitalization, there is a need to transform the global private banking market by adapting it to innovative changes and consumer needs.

A.V. Alexandrov considers private banking “as a business industry that plays a significant role in the global financial services market.” R.Y. Kasyanov believes that “the global private banking market acts as a segment of the financial market and performs functions inherent in any market” [2].

Indeed, private banking acts as a segment of the financial market and represents the provision of personalized financial services and products by banks to wealthy clients in order to increase their well-being. Such clients are serviced by high-level professionals - managers, for whom financial planning based on the analysis of clients' goals is of paramount importance [3]. The benefit for banks in servicing such clients is not only in making a profit, but also in forming their respective image and prestige, which increases their level of competitiveness.

In the form in which it appears to us now, the private banking market was formed in the early twentieth century in the United States, but from a geographical point of view,

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Switzerland can be considered its homeland [4]. In addition, it is developing in countries such as the UK, France, etc [6]. Due to the increase in the number of billionaires in the world, the importance of private banking has been increasing in recent years. So, according to Forbes, their number for 2021 is 2,755, which is almost a third more than the number of billionaires in 2020 (2,095). [5] Almost half of the people on the Forbes billionaires list come from the United States and China, but it should be noted that almost every other country on the planet has also acquired new billionaires this year.

2 Research methodology

The private banking market can be attributed to one of the most conservative parts of the global financial market, since even with the advent of digital technologies, customers prefer the traditional service of managers to automated robotic assistants [7].

However, the COVID-19 pandemic accelerated the process of introducing digital technologies into this service sector, and banks that did not plan changes in their business models due to the preferences of these VIP customers had to adapt to the new conditions. In these conditions, the issue of maintaining the loyalty of borrowers is of great importance for them [8]. To build a new business model focused on customer service mainly on a digital platform, banks invest in modern technologies [9]. These technologies, in turn, provide online visits of consultants to clients, live broadcasts of products, exhibitions in virtual reality, etc., that is, we can say that banks are becoming more customer-oriented [10].

Table 1. Top of the best private banks in 2021

Name of the bank	Location	Year of foundation
JP Morgan Private Bank	USA	2000
UBS	Switzerland	1998
Hana Bank	South Korea	1967
DBS Private Bank	Singapore	1968
BBVA	Spain	1999
Bank of America	USA	1998
Santander	Spain	1857
BTG Pactual Wealth Management	Brazil	1983
Citi Private Bank	USA	1812
J. Safra Sarasin	Switzerland	1841

Source: compiled by the author based on data

In order to compete in the new normal post-pandemic, private banks may need to simultaneously move in opposite directions on the welfare scale. Serious, rich and successful banks are expanding their comprehensive offerings by synthesizing a mixture of services - tax, legal, real estate, as well as investment [11].

3 Results and Discussions

Global Finance magazine has identified the 25 best private banks for 2021, the top 10 of which are presented in Table 1. Let’s look at some of them.

With regard to JP Morgan Private Bank, we can say that it is a “transparent” bank, since it publishes financial reports quarterly for public viewing. One of the few global banks that have made private banking a reporting segment [12].

UBS Bank offers clients more opportunities to invest. In July, UBS announced that its money management clients could begin to adapt the advice they receive in six areas of sustainable investment: climate change; water; pollution and waste; people; products and services; management - areas that the bank called “the most important for moving enterprises and industries towards a sustainable future.”

Hana Bank offers individual services for the whole family, not just for the leader or the patriarch [13]. These can be children’s programs for grandchildren and “matchmaking” for adult children, as well as services to accompany weddings and funerals. Hana Bank has also launched a new digital service that combines finance with digital games to target young people.

DBS was a pioneer in offering digital customers in the years before the Covid-19 pandemic. It has won awards for digital transformation during the crisis; and as the pandemic subsides, it continues to innovate. At the beginning of the crisis, the Singapore bank launched TeleAdvisory, which allows clients to consult with their wealth planning managers using video conferencing platforms. DBS has also introduced a paperless loan application process and expanded active participation and monitoring of loan portfolios with portfolio stress testing designed to more accurately predict pandemic problems. Looking ahead, the bank expects wider use of new technologies, such as artificial intelligence and machine learning, to “hyper-personalize” interaction with customers using its DBS digibank platform for independent online execution and Client Connect, a platform for intelligent consulting[14].

Social responsibility is not something new for the Spanish BBVA. In 1999, he introduced his first socially responsible investment tool, the BBVA Solidaridad fund; and he is still finding ways to combine success with good deeds. The bank has recently established a socially responsible investment fund, which annually donates part of its management remuneration to sustainable projects.

4 Conclusions

With regard to private banking services in Russia, it should be noted that this concept in Russia is not identified with the same concept in Western countries, since these services can also be provided by non-banking organizations there. In addition, despite the growth in the number of wealthy people in our country (5th place in the world in 2021) [4], the share of private banking in Russia does not have a significant role in the world, which is explained by the fact that billionaires and millionaires in Russia prefer to use private banking services abroad. In addition, the predominance of the number of state-owned banks (Sberbank, VTB, Otkritie) in this sector is also important, since this oligopoly suppresses competition. This, in turn, affects the quality of the services provided.

Thus, the transformation of the global private banking market is taking place in accordance with the development of digital technologies and customer orientation. The spread of the pandemic has led to the transition to a new round of development, involving the combination of two factors of promising growth in the field of private banking: human and intellectual.

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