

## The urge to merge is expected to surge

**David Bain**

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Appetite for mergers and acquisitions in wealth management has grown following last year's upheavals, but analysts are sceptical that capital exists to finance big deals. Complicated due diligence issues will also scupper activity.

Ray Soudah, head of Millenium Associates, a wealth management M&A specialist boutique, said: "Although there is greater talk about acquisitions among wealth managers, few large deals are likely to happen in 2009 as capital to finance transactions just isn't there."

Shareholders of listed wealth managers such as UBS, Credit Suisse, Julius Baer, Bank Sarasin and EFG International are unlikely to tolerate a big acquisition when many of these

banks' share prices have been so weakened by the financial crisis.

Soudah said: "The capital base of banks can't support an acquisition right now. Nor are there many other financing opportunities."

He also believes the Madoff scandal will mean wealth managers will be reluctant to acquire rivals due to risk associated with buying a competitor with Madoff exposure.

Soudah said: "Most wealth managers are scared about acquiring rivals when they know they have to do the due diligence on the due diligence before they are satisfied there are no risks."

Zurich-based EFG International has been the most vocal in talking about buying a rival to transform its business into the upper echelons of private

banking. A spokesman said: "We believe there could be exciting major opportunities in the months ahead. We are certainly now of a size and, given that we are a proven acquirer, it may well make sense for us to take a significant step forward."

Daniel Truchi, chief executive of SG Private Banking, has also said consolidation will accelerate in the wake of the turmoil in the wealth market last year. He said: "A lot of private banks will disappear."

Peter Thorne, a bank analyst at Helvea, a Geneva-based brokerage, said talk of acquisitions did not necessarily mean they would happen.

He said: "I'm certainly not making recommendations on stocks because I see M&A activity likely to be picking up in the wealth sector."