ATCHISON
CONSULTANTS

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All major banks in Australia have expanded in financial services wealth management largely initiated by acquisitions over recent decades. They have provided an independent financial services platform offering governance, administration and investment management products including partly outsourced management.

A repercussion of the global financial crisis has seen greater attention on banks financial strength. The latest has been Basle 3 regulations. A requirement for equity capital as strong support for the business of banking is a key element. Capital support for lending is structured across the credit risk spectrum. Capital for equity on any businesses such as financial services in wealth management is very demanding.

Unless the return on equity in their businesses is sufficiently high at around 14% - 16%, banks will exit the businesses. Westpac has led the way by listing BT as a separate entity and subsequently selling down to ownership of 31%. It is of interest that the market capitalisation of Westpac is $100bn and BT is $44bn.

CBA with Colonial First State, NAB with MLC are likely to follow a similar path. Exit by ANZ from OnePath through a sale has been foreshadowed.

The four major banks account for 56% of the $700 billion retail market. A change in ownership will have a profound impact on the competitive landscape in investment funds management in Australia.