



## “There'll be a shake-up of the market with banks moving to specialise and break up their integrated service model”



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### TAGS

**Multi-Family Office**  
**Orchestra Conductor**  
**Coordinate** Independence  
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**Challenge** MiFID II  
**Performance-related**  
**fees**  
**Transparent pricing**  
**model** Luxembourg Trust  
**Wealth Management**  
North America Depository Bank  
**Open Platform** Negotiate  
**fees** Experience

### > To which type of family office - single, multi or “red carpet” banking services - does Arche Family Office’s (AFO) business model best correspond?

We sit firmly under the multi-family office banner. The segment of clients we serve has between €20m and €500m. Those with more generally have their own single-family office, whereas those with less simply don’t need the kind of services we provide.

We see ourselves as a kind of advisor, overseeing wealth in its broadest sense: not only the securities portfolio but also life insurance, works of art, inheritance, foundations and so on. We coordinate and oversee our clients’ wealth with a global outlook and delegate specific services to our partners - bankers, lawyers, insurers and PE firms - who are specialists in their field. Like an orchestra conductor, our role is to coordinate the various service providers to fulfil our overall mission. We do not sit in front of our clients, but next to them. We’re there to listen, act as a sounding board, challenge, check, monitor and control on behalf of our clients. This is all based on a relationship of trust with the client and - crucially - independence. For the concept to work, there can be no conflicts of interest.

### > Independence and transparency are also high on the agenda for regulators. What do you believe the impact of a move towards greater independence and transparency will be?

There’ll be a shake-up of the market with banks moving to specialise and break up their integrated service model into smaller, more independent chunks. The truly large banks will continue to offer the entire range of services, with economies of scale allowing specialization across the board. However, we might see non specialized medium-sized banks disappear, leaving the way clear for new highly specialised smaller structures as niche players.

Turning to fees, with restrictions on inducements already in force in the UK and probably soon in Europe as well through MiFID II, we’re heading in the direction of complete transparency. The business model where retrocessions formed an important part of bankers’ earnings could become more complicated.

### > How do you think that restrictions on inducements will play out in the long term?

For private bankers selling products on behalf of a third party, it might be that inducements are permitted, but that the client is made fully aware of any retrocessions to the bank. Personally, I believe in a more purist model where commission gets passed on to the client, who will see that this service is worth paying for. Management and performance fees would subsequently increase and become a key element in a new, more transparent pricing model.

Financial advisors will also find themselves in a difficult position. I truly believe that they have a future, but only if they bow to new rules. Their know-how and independence has to be such that, like in the US, they can move in a positive direction towards providing added value through performance and independence.



**> Do Family Offices have a role to play in securing Luxembourg's future as a financial centre?**

The problem with Luxembourg is that, although there are roughly 140 banks here, the decisions are made elsewhere. Yet the country is undergoing a huge transformation and needs new impetus to propel it forwards. Family Offices will be this new breath of life. We are right at top of pyramid, picking providers and overseeing key activities. We're in a position to give decision-making power back to Luxembourg.

**> Last May, Arche opened a second structure, Arche Wealth Management (AWM). How did this come about and how does this new structure fit in with the Family Office?**

Six months after opening the Family Office, we were approached by HNWLs with smaller, yet still comfortable assets to be managed. These clients didn't require Family Office services but were interested in Arche managing their wealth. We politely declined – our role as a Family Office is to coordinate and oversee, not to manage. Despite this, the requests kept coming in and we realized there was a real appetite for this segment. As a result, we decided to pursue the matter and asked the CSSF for an asset manager license and started a new company, Arche Wealth Management (AWM).

Since then, our clientele has grown significantly and a third client segment has emerged: UHNW individuals, with their own Family Office, wishing to use AWM for asset management purposes.

AWM and AFO each serve entirely different segments of clients. Our Family Office doesn't use our Wealth Management arm. To ensure that there would be no conflict of interest, we made it clear that, while using the same brand name, Arche, the two structures are operating with different management teams.

**> Due to the high minimum investment requirements, the alternative space is often inaccessible for investors in the €1m to €25m segment you described. Does the Family Office model allow you to give your clients access?**

Absolutely, we pool clients' money together to give them access to investments which would otherwise be out of their reach. In terms of providers, we decided to exclude all fund of funds and concentrate on investments where we're knowledgeable and fully understand the management.

Within the alternative space, Private Equity is an area we're looking to improve on. We have partnered with a company renowned in this area with whom we have an excellent relationship, to cover this essential asset class for the HNWL segment.

**> How do you react if a new client wishes to use a provider with whom you have no existing relationship?**

When Arche was founded, we negotiated institutional tariffs with the dozen Luxembourg banks that approached us at the time. All our clients benefit from these prices so, if a new client were to come with a 13th bank that wasn't on our books, we'd also enter into discussions with them so as to negotiate in the interest of our client. Is this process easy? Not really. Do we manage to do it? Often, yes. It's the Family Office's job to challenge product fees to the maximum.

**> Thinking about the future of Arche, where do you see yourself in 3 years?**

Firstly, it's important to say that our strategy is to grow steadily. At this stage, there's no question of us going abroad: Luxembourg is a great location in the heart of Europe, has all the depositary banks we need, excellent scope for structural engineering, insurance brokers, tax experts, lawyers. Everything's here to offer a full range of services. To continue to grow, we need a better service offering for Private Equity and senior staff members with the skills to challenge the big PE houses.

We're also looking to build on one of our chief differentiators: risk diversification. Our clients generally have sizable part of their assets in dollars - in European banks but possibly held by sub-custodians in North America. We're convinced it's important to have a custodian bank in North America, so we'll soon be skipping this step by partnering with a Canadian custodian bank. The bank we picked has a similar philosophy to ours on sourcing asset managers. It uses an open platform, selecting only the best asset managers in North America. We're currently putting together agreements that give us Arche Wealth Management, access to the managers, the bank's excellent structuring and also its custodian bank services. This will also mean that our clients have a bank account in North America, giving added security and further diversification.