Julius Baer is preparing major job cuts in a review of its strategy, finews.com has learned. The Swiss wealth manager won’t spare its influential 1,500-strong private banker force.

The Zurich-based private bank is weighing up «substantial» job cuts in a strategy review, several sources familiar with the matter told finews.com. Consulting firm McKinsey is chaperoning an annual strategy review, due to be finalized in January.

The exercise represents CEO Philipp Rickenbacher’s first major imprint on Julius Baer’s strategy since taking the helm three months ago. The Swiss banker also revisited a 2015 plan by Julius Baer to buy EFG, worth north of $2 billion, according to a person familiar with the matter.

EFG Confusion

The smaller bank, controlled by Greece’s wealthy Latsis shipping family, on Friday denied formal sale talks. EFG said it is instead focusing on its growth strategy. While a play for EFG, first reported by Swiss blog «Inside Paradeplatz» (in German) would be more spectacular, it is also less likely – for now.

Julius Baer’s CEO is said to be unenthusiastic at the prospect for compliance clean-up and cultural reasons – though broadly very receptive to pursuing acquisitions. More immediately, Rickenbacher is looking to major job cuts will as part of a regimen to get fit for the future.

Axing Private Bankers

A total number hasn’t yet been finalized, the people said. That hasn’t stopped bankers inside Julius Baer from speculating that Rickenbacher will disclose cuts of between 5 and 10 percent.

The final tally is due with the Swiss bank’s full-year results on February 3. Julius Baer employs 6,768 staff, which means that even a single-digit percentage cut in workforce would represent hundreds of employees.

Notably, Julius Baer won’t shirk from cuts among its influential cadre of private bankers: the bank will cut unprofitable advisers loose – even if they manage considerable assets, according to one person familiar with the plan.

Bloated Spending
This represents a reversal from the past, when bankers who brought fresh client money were shielded. Besides bidding farewell to advisers, Julius Baer will more consistently weed out and boot smaller and less profitable clients, the person said.

CEO Rickenbacher (pictured below) is leading an unstinting review, together with Chairman Romeo Lacher. The duo is grappling with costs reeling out of control at the 129-year-old wealth manager – one of the least-fit banks in Switzerland, as finews.com reported.

Julius Baer already tightened performance measures for bonuses this year, and made some cuts in February after crashing through its target. Its cost-income ratio bloated to 74.3 percent last year, which Julius Baer tamed to 71 percent at mid-year and leveled to just north of 70 percent by October.

**Deep Scrub Nears End**

Its goal for next year is less than 68 percent – which is out of reach unless Rickenbacher
crunches spending on staff. Julius Baer will get a break in 2020 after a three-year, nearly $100 million deep scrub of its client books ends.

However, the bank also faces dwindling profitability. Its gross margin tanked to 82 basis points so far this year, from nearly 90 basis points two years ago. Rickenbacher caught a break this year from favorable stock markets, but is unlikely to enjoy the same buoyancy next year.

**Push on Ultra-Rich**

As with most wealth managers, Julius Baer is suffering because many of its wealthy clients are simply short of investment opportunities amid negative-rate regimes in Europe.

Julius Baer surprised market watchers in July by disclosing a healthy share of business with the ultra-rich – 150 billion francs, or more than one-third of its total assets. Rickenbacher will more consistently shift resources to the business, in a bid to «personalize» advice-giving, as [finews.com reported in August](https://www.finews.com).