

## *U.S. customers remain a source of growth*

Swiss private banking has reached a crossroad. The industry is faced with shrinking margins, much increased regulatory scrutiny and provisions, and with banking secrecy crumbling. A challenge banks should meet by looking ahead to new *growth opportunities*.

Various Swiss banks have for some time now been withdrawing from business in the United States, against the background of the new, tougher legal regulations in the USA. Nevertheless, business with *US clients* offers significant potential and may well open an opportunity to grow assets under management.

The way to go is to *apply for a licence* from the U.S. Securities and Exchange Commission (SEC). The requirements are certainly tough. For example, the new legislation that comes into force this summer requires all asset managers with more than 15 US clients or more than 25 million dollars of assets under management to be subject to SEC regulation. There are also major differences in a number of areas between America's regulations for fund management and the requirements in Switzerland. And disclosure rules differ. Thus, it is advisable to establish an independent company in Switzerland, geographically separate from any existing Swiss legal entity. This would allow a private banking firm to provide a service from Switzerland for US clients within the framework of the statutory regulations. Why now?

1. US clients are increasingly looking to diversify their assets *globally* but few local fund managers possess the necessary expertise. They typically suffer from a lack of global knowledge and, as a result, often show meagre equity returns – the long-term performance of Swiss and other European fund managers compares favourably with that of leading US asset managers.
2. When it comes to the *custody account business* Swiss banks are unbeatable. Even if an SEC registration authorises a company to manage custody accounts with banks in the USA, the intention, wherever possible, is to place client funds with *banks in Switzerland*. Who else can trade on virtually every stock exchange in the world – however exotic – in the local currency?
3. We sense that clients – and not only US clients - have become more *cost conscious* and increasingly critical towards the fund management industry in general. Wealthy individuals and families are attracted to institutions offering competitive services and transparent pricing.
4. American private banking is a challenging, but large and attractive market. It would be a mistake if Swiss financial institutions were to leave US clients to competitors. The opportunities have not gone away. Patience will be rewarded!

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On balance, the provision of a cross border service for US clients in conformity with the regulations should develop into a rewarding and profitable business model for Swiss financial institutions.

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