

“Money is still flowing into Switzerland from the USA”

Wednesday 1 February 2012 at 5.55 a.m.

Hands off US clients? On the contrary. The asset manager Bellecapital International is focusing on clients from America. *Michel Guignard*, Managing Partner, explains why.



Mr Guignard, the bank Wegelin went under because of its US clients – you, on the other hand, are going after American clients. How are you handling the tax issues there?

This subject should be openly discussed and recorded in consultation with the clients. Financial institutions are obligated to provide certain documentation in this regard. For US clients this includes the submission of a W-9 form. But it is not the responsibility of a financial institution to ensure that the clients also pay tax on their income.

Where, in your view, did the trickiest point in Wegelin’s policy lie?

I do not wish to comment on other companies.

Why has Bellecapital decided to focus on American clients of all clients?

The USA is the world’s largest wealth management market and it will remain that way for some time to come. American investors are, in cross-comparison with other countries, very enlightened and demanding.

“The wealthy want to invest and diversify their money internationally and for safety reasons outside of the USA”

The last few years were generally difficult years for investors. The investment objectives of many clients have evolved accordingly – from increasing capital to preserving it. In that, the broad diversification of investments plays a major role. For US investors this means investing more in foreign markets and currencies, including in Switzerland.

But is Switzerland, amid the constant suspicions – say in American politics and the public view – still an attractive place to invest for US clients?

Switzerland has over decades developed into a leading global financial centre: its expert know-how, technology and quality of service are at the absolute highest level when compared internationally. Money is still flowing into Switzerland from the USA, especially from very wealthy private clients who want to invest their money internationally and for safety reasons deposit it outside of the USA.

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What concrete goals are you setting yourself in this business?

As entrepreneurs we want to markedly expand the business with US clients. In doing so we place high demands on the quality of service for the benefit of our clients and accordingly on the quality of our employees. Looking after American clients means understanding the financial circumstances of these people in their entirety, discussing and regularly scrutinizing their objectives when it comes to their assets; furthermore it means initiating asset-planning strategies and implementing them with a network of proven specialists.

“Those who obey the laws have nothing to fear, but it is hard work”

As asset managers we want to achieve a sustainable and above-average rate of return within the scope of the risk profile and the investment objectives of the clients. Bellecapital distinguishes itself from most of its competitors in Switzerland through a focused investment approach. In the performance it is the rate of return after taxes and costs that is paid attention to.

Do you also at times fear coming up against the US judiciary?

Those who obey the laws and rules have nothing to fear. But that is hard work, since the environment changes dynamically and you have to be organized so that you continuously pick up on the developments and can quickly make adjustments to the business model.

This business can now no longer be conducted on the side. Therefore Bellecapital has established with Bellecapital International a separate asset management company just for US clients. The company is registered with the American Securities and Exchange Committee (SEC) and the employees have several years experience in looking after this discerning clientele.

Is there actually still Swiss banking secrecy vis-à-vis the USA?

In the current environment the situation is indeed very confused. With new business the market participants all feel certain. The problem lies with the handling of old business. Here solutions between the two countries are required urgently and quickly.

Should the Swiss Government be firmer when it comes to the US authorities?

We are focusing our activities on the clients. But of course we are following what is currently going on. It is critical that the key parties concerned – politicians, banks, the regulator – deal with the problem as a top priority and with the necessary commitment of resources and now quickly come to an agreement which can be negotiated with the US authorities.

“It would be a bad suggestion to wait now for political solutions”

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Without agreement the politicians must ultimately decide and negotiate themselves. While this does not happen, individual institutions are defenseless. The longer this situation continues, the more this is being interpreted as a sign of the weakness of our financial community.

Will FATCA sound the death knell for the US business of Swiss banks? How are you preparing for it?

With the introduction of FATCA the reporting obligations for the financial institutions concerned will become more complex. US person accounts, according to the FATCA definition, will become totally transparent and report to the US Internal Revenue Service (IRS). The compliance with the corresponding regulations is strictly checked and individual employees will even be held personally responsible.

It is clear that until the introduction of FATCA a very big adjustment process must be put into effect and accordingly a large-scale revision of looking after US clients will be necessary. At financial institutions which will sign the agreement there is no longer a place for US clients whose identification should remain secret.

How do the requirements of an asset manager which is SEC-registered differ?

The rules for how an SEC-registered asset manager carries out its business are very clearly described. Organizational structure and working processes must be formed and documented rigorously and in detail.

The monitoring of employees and the checking of operational procedures is very important. Ultimately this is connected with a greater administrative outlay. This is to the benefit of the clients, who profit from ample protection against abuse of the rules.

What should financial institutions with US business do now?

To wait for political solutions would be a poor suggestion. It is critical to tackle proactively one's own situation concerning US business with firm resources, including a proper risk analysis of the legal and regulatory environment for this market segment, a detailed analysis of the client portfolio, the close examination of the current business model and an alignment with the legal and regulatory requirements.

“There are still many clients”

Finally this also includes the decision to rectify possible divergences so that the new business model fully complies with the legal requirements of the USA. It is critical then to begin with the implementation of the adjusted business model. The introduction of FATCA in 2014 makes this work absolutely imperative.

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And what does this mean for the business in concrete terms?

It can mean that one will separate oneself from parts or even all of the business. An important goal of Bellecapital International is to support financial institutions both during the project phase and also in the implementation of the strategy. Examples show that through early involvement a very high success rate can be achieved: there are still many clients.



Michel Guignard (pictured) is Managing Partner at Bellecapital International AG. He has worked for more than thirty years in the asset management business and in the last few years he specialized in looking after wealthy US families.

[Bellecapital International AG](#) is a sister company of Bellecapital AG which is registered with the American U.S. Securities and Exchange Commission (SEC) to offer tax-compliant American citizens a range of financial services. In addition Bellecapital is a member of the Swiss Association of Asset Managers (SAAM).

The firm Bellecapital was founded in April 2009 by two former Guyerzeller Private Bankers **Beat Bass** and **Werner Diehl**. The third in the alliance, Mark Eberle, joined from Barclays Capital.

Today the Zurich-based firm manages client assets of around 2.5 billion Swiss francs – the majority in the form of discretionary asset management mandates.