

The biggest mystery in the Swiss financial center

Category: Financial center Montag, 11. April 2022 06:55



There are more than 2,000 independent asset managers in Switzerland. But only a fraction of them have applied for a license so far to be able to operate at all in the next year. How can this go well?

When the alliance of the (largest) [Swiss asset managers](#) (ASV) celebrated its five-year anniversary in the Zurich luxury hotel Park Hyatt about two weeks ago, a memorable moment occurred.

[Ana Maria Montero](#) , the moderator of the evening, asked those present who already had a Finma license or at least had applied for it. The result was sobering: at best, a quarter of the participants stretched their arms in the air.

Enigmatic snapshot

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This snapshot reveals what is probably the biggest mystery in the local financial center at the moment. Because by the end of this year, all independent asset managers (External Asset Managers, EAM) must - put simply - have a license from the Swiss Financial Market Supervisory Authority (Finma) in order to continue their business activities from 2023.

In fact, to date, only a tiny minority has attempted such a license. As the latest [figures from Finma](#) show, 10 to 20 percent of the almost 2,200 EAMs in Switzerland currently have such a permit or are on the way to one.

Knowing that the other actors now have just under eight months and it usually takes 120 to 180 days to receive the permit, the situation needs to be explained.

A generation's lethargy

Even Finma noted this development with a certain astonishment, especially since it had activated human resources to be able to cope with a possible onslaught - which, however, did not materialize. Will that change in the coming weeks? A prognosis is most likely to be found in the analysis of why it could have happened in the first place.

There are various reasons for the lethargy of EAM. An important one is certainly the age of many asset managers. You belong to a generation that experienced its upswing above all in the "golden" 1990s. At that time, classic private banking was still in full bloom, so that entrepreneurial bank customer advisors - together with their customers - could easily become self-employed.

Couples are rarely found

These protagonists are now approaching 60 or are already. Understandably, you ask yourself, "Should I really put up with this Turk?". For some, the answer may be negative. Rather, they hope that they can "muddle through" for a few more years and then wind up their business or, ideally, sell it.

To date, this «selling» has hardly taken place to the extent that has been forecast for years. The much-vaunted consolidation started at best this year with a dozen takeovers or mergers, as *finews.com* has reported on various occasions.

We are still a long way from the «Big Bang». **Ariel Davidoff**, Chairman of the Board of Directors of WMZ Holding, a Zurich-based company that advises and supports asset managers, provides an answer: "Consolidation has not yet picked up speed. I see that many conversations take place, but couples rarely find each other."

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Costly process

One of the reasons for the hesitancy is the regulatory frustration felt by many EAMs. As independent and entrepreneurial people, it is anathema to them to undergo the "government-imposed" approval process, especially since you also have to join a [supervisory](#) organization (AO) before submitting an application to Finma. And the whole process comes with some costs.

In fact, this (cost) factor is likely to be an important reason for the current situation. Many EAMs are not sure how expensive a Finma license will cost them. The numbers range from 15,000 francs to 100,000 francs, as explained by **Daniel Dzialowy**, founder of Wealth Management Zurich, a company that supports EAM in obtaining a Finma license. This depends on the complexity of the respective business model.

Pressure to make decisions increases

Another reason for the reluctance of many EAMs that should not be underestimated is that some companies are undergoing or have just undergone a corporate change; From an organizational point of view, they have not been able to apply for a license so far, as **Nicole Curti**, partner at Stanhope Capital, explains. Stanhope Capital merged with FWM Holdings, the investment boutique of the Forbes publishing family, at the end of 2020 and had to reorganize accordingly.

After all, it is probably in the nature of human beings that the requests have so far only reached Finma in dribs and drabs – that is to say, that many people only do what is necessary at the last minute. Why should EAM act differently? Dzialowy expects demand to grow until the end of June 2022 and then massively increase. "By then, at the latest, the independent asset managers will have to decide how they want to tackle the matter," he says.

A third disappears

However, that doesn't change the fact that Switzerland is about to undergo the biggest cleanup in the EAM sector. [A study by the Lucerne University of Applied Sciences](#) and Arts (HSLU) published in 2019 states that of the almost 2,200 independent asset managers in Switzerland, up to 700 – or almost a third – will disappear.

Despite fewer players, however, the industry will hardly lose any of its importance. The situation with private banks has been similar for years; their ranks have thinned massively, but the managed customer assets have not accepted. There is likely to be even more demand for EAM's personal service in the future, especially since the large banks are increasingly standardizing or digitizing their offerings for small and medium-sized private customers.

Point of contact for <unhappy> bankers

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"The granting of the permit represents a turning point in our company's history," says **Gregor Ackermann**, COO of Avalor. "For the first time, we are now regulated in the same legal framework as the banks, which gives our profession significantly more weight."

For **Sacha Fedier**, CEO of the Zurich company VT Wealth Management, the Finma license also represents an opportunity to make a name for itself. to offer a new home – a home where Swiss private banking is not only part of the DNA, but is also lived with respect," emphasizes Fedier – and wants to open the door for talent.