

Etsior Monthly Opinion 15 December 2009 - Keeping client centric

Switzerland is fighting to preserve its rank in the global market place.

Not being a member of the European Union, Switzerland has limited bargaining power and is not really able to influence decisions before they are made, nor has the possibility to develop such a strong E.U. internal financial activity as for example Luxembourg. Its particular status makes it a target of choice for any demagogic attack from its powerful neighbors and Switzerland is lacking friends at the time it needs them most.

We can regret it, and I do, but it is the consequence of the “alleingang” policy which has been offered to the Swiss people as an alternative to the E.U. membership. I am hopeful this will not last forever and that at some point Switzerland will recover its due place in the E.U.

Now Switzerland is fighting hard not to have to divulgate information *automatically*. The trend is it will have to enforce the tax regulations of the client’s country of residence, withhold taxes accordingly and pay them back to the residence countries, but without divulgating the client’s name. What would then be the interest of a client to maintain a bank account in Switzerland?

Facing these difficulties, the Swiss financial market place is also facing a deep evolution of its traditional clientele and of the environment. The tax authorities of the neighboring countries, and of course of USA, have now stronger and stronger capabilities of investigation and file reconciliation that make tax evasion more difficult. Some countries have also implemented *internal tax heavens* that limit the interest of Switzerland as a

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fiscal heaven.

Finally, the traditional clients have changed: a new generation is coming to power and finds it less relevant to divert money to protect it as their parents did, as rules are clearer, democracy installed and geopolitical dangers remote. There is also a new class of clients coming from developing countries and these clients have money, a need for stronger safety and of handmade services.

There is also a huge difference in how wealth managers and their clients perceive their relationships: this relationship is a long term, lifelong one. But most of the big institutions are frequently changing their relationship managers and it is not unusual when a client has to deal with twenty or more people during her/his life, needing to make acquaintance again and to tell again about her/his life. Added to the "civilization of the instant", this situation leads to a much greater mobility of clients who do not hesitate to switch wealth managers or bank to express their dissatisfaction. Fortunately this is not as true with independent wealth managers who usually establish long term relationships with their clients their families.

The new generation uses internet intensively to access its bank accounts and do not understand why they cannot access their Swiss accounts easily or get only deferred statements. Clients do expect full transparency and seek advises in tax, inheritance issues and in global allocation. These are big expectations, not always easy to meet.

Facing all these evolutions, wealth managers will have to re-invent their business model, and do it focusing on the changing needs and origins of their clients. It is also likely that the draconian regulations being progressively implemented both in the neighboring countries and in Switzerland will lead to a reduction in small and medium sized clients.

Among the possibilities of improvement, let's name some of them, all centered on keeping the client centric:

- Improving communication with clients on an ongoing base, offering new ideas, new opportunities allowing a better allocation of assets and optimization on wealth
- Offering advising services on tax, pensions, inheritance and asset allocations, balancing between onshore and offshore management
- Online services and more transparency



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- Developing onshore services so the added value of the wealth managers can be offered even to those clients who do not want to run the risk of tax issues
- Developing services and wealth management from Switzerland in offshore jurisdictions
- Developing the client base in fast developing countries, Asia and other emerging markets. There is a need for capital protection, top service and the pressure is not as strong as the one from neighboring countries.
- Last but not least, protecting capital and delivering performances

This is a real challenge, which I leave to your thinking.

I take the opportunity to extend my warmest season greetings and to wish you a great new year.

We care for you!

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