The SFr475 billion offshore private-client transfer

by Helen Avery

Some SFr475 billion is to move between private banks within three years, as a result of regulatory and industry pressures – a move that should limit M&A in the private-banking industry, say analysts.

Foreign and domestic private banks in **Switzerland**, Liechtenstein, Luxembourg and Monaco are expected to move some SFr475 billion in client assets to competitors during the next three years.

In April, independent private-bank consultants Millenium Associates began facilitating the move of private-bank assets via its Client Asset Transfer CH (Catch) platform. The platform matches private banks looking to exit clients with private banks seeking to add clients.

During the next three years, thousands of high-net-worth (HNW) clients are expected to change banks due to the repatriation of assets, regulation changes and tax declarations.



Ray Soudah, founder and CEO of Millenium

"The private-banking industry will never have such a large amount of money forced to change hands again," says Ray Soudah, founder and CEO of Millenium, which set up the Catch programme at the start of the year.

Catch matches **domestic and foreign banks in Switzerland**, Liechtenstein, Luxembourg and Monaco looking to get rid of clients from geographies that no longer make sense to serve – as a result of their client re-segmentation – with other private banks from within Switzerland and Europe.

CEO of Millenium For example, a US bank in Switzerland no longer wanting to serve French clients could put its exit intentions on Catch and could be met with a response from a French bank looking to add French clients onshore or in Switzerland. Client confidentiality is maintained as individual client data is not submitted into the platform.

The massive move by private banks to exit clients is a result of regulation, re-segmentation and repatriation of assets onshore. As regulation now forces HNW clients and their private banks to declare **all money held offshore**, costs to private banks in due diligence and cross-border marketing are proving too expensive.

Private banks are therefore rethinking their offshore strategies, and what clients and segments make economic sense.

At the same time, without tax advantages, many clients are looking to repatriate assets onshore. About 50% of newly declared money in Switzerland will return home, estimates Soudah.

"Switzerland is technically becoming an onshore centre," he says. "As all money is becoming declared there, banks are having to come up with innovative tax-efficient products to make it worthwhile for clients to keep money in Switzerland.

"They are also having to up their due diligence on clients in their home markets. In some cases where they don't have much presence onshore, they are deciding it is more efficient to exit clients."

Soudah says rather than ask clients to leave after having served them for years, Catch allows banks to ask clients first whether they would be happy to leave and to try to find them a matching bank.

"This is very different to an asset sale as clients are asked: we have been approached by this bank who would like to have you as a client – would you like to move to them, or wait for a different bank to make an offer?" says Soudah.

It means the onboarding banks are more likely to retain the client. "In an asset acquisition, many clients end up leaving their new bank as they feel they had no choice in who ended up buying them," he says.

The two banks also enter into an agreement to share revenues deriving from the client for up to two years, therefore not impacting balance sheets or requiring liquidity. The onboarding bank is also required to carry out its own due diligence.

Some 120 banks have been invited to be members of Catch. Millenium charges a small fee on each revenue share.

Soudah says the peak transfer period is expected to be in six to 12 months' time.

"In three years' time, all money that needs to be declared will have been declared and will have found a permanent home," he says. "Until then, we expect M&A to be limited and these kinds of transfers to be the model. When it has settled, valuations will be likely to go up again and the M&A market to return to normal."



Figure 16: The U.K.'s Share of Total Offshore Private Client Wealth Stands at 11%