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Want to join Europe's most exclusive 'client segmentation' club?

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An initiative is underway to help banks resegment their priority markets and clients as part of their drive to comply with tough new regulations to combat tax evasion.

The barrage of new rules is forcing advisory firms increasingly to handle only declared funds and the need to provide tax efficient investment products to many client nationalities previously not needed from offshore centres.

Called “CATCH”, the programme has been launched by Millenium Associates, an independent wealth industry advisory firm based in Zurich.

As much as $500 billion of client assets will change hands over the next three years as banks and financial advisers redraw their business mix, moving in favour of client segments that best suit their changing advisory models, Millenium estimates.

Part of this declared money will be repatriated back to the clients’ home countries, presentating difficulties for banks without significant onshore operations in those countries.

The private banking industry will never have “such a large amount of money forced to change hands again,” Ray Soudah, the firm’s chief executive says.

“There’s a pressing need for an orderly transfer of this business within the financial centres of Switzerland,Luxembourg,Liechtenstein and Monaco.”

He estimates that 50 percent of newly declared money in Switzerland will return home as “Switzerland is technically becoming an international onshore centre.”

CATCH - short for Client Asset Transfer CH (Catch) - is centred on member participants in the those four centres but will also encompass the UK and other onshore centres, enabling “the client-friendly transfer of private banking clients within and to each home country centre.”

The programme matches domestic and foreign banks in those various jurisdictions looking to refocus and resegment from geographies which no longer make sense to service with other banks more accommodative to this business. Millenium will charge what it refers as “a small fee on each revenue share.”

In an interview, Mr Soudah says that he believes it will take up to three years for banks to remix their client bases to accommodate the new regulatory and business environment and reflows from the offshore sector.

The CATCH platform looks timely. Several leading private banks are known to be trying to exit Swiss offshore banking, in addition to companies like Lloyds Grouip and Morgan Stanley which have already divested their businesses in Zurich and Geneva.

Currently, Standard Chartered is continuing to look at options for its own Swiss private banking operations. Signs are that it is finding it a problem to find a buyer and may have to resort to a complete closure of the business.

Mr Soudah says one advantage of CATCH is that it removes much of the need for forced M&A deals.

“Clients have no say in where their business moves when a M&A deal is agreed,” he says. “That’s one reason why you subsequently get such high dissatisfaction and low retention rates among clients.”

With CATCH, clients have the right to agree where their account goes to, he says, adding: “We call it a client-friendly re-segmentation programme.”

In the first instance, clients are asked whether they would be happy to go to another adviser, and then the host bank approaches such acceptable other institutions via CATCH which would interested in taking on the business.

Some 120 banks across Europe have been invited to become members, and “take-up is at a healthy level” for the scheme, Mr Soudah said.

He won’t discuss actual numbers of active banks, citing confidentiality needs, although it is thought to number several dozen already, with the base assets under management of the initial participating and committed banks already in excess of $500 billion, allowing for what's called "a meaningful fluidity and absorption capability."

After three years, the majority of re-segmentation and repatriation is expected to have taken place and so CATCH will wind down naturally, Mr Soudah concludes.