

# AT THE CROSSROADS:

## catering for a diverse range of international clients

Today's wealthy families are a truly international bunch, meaning advisers must consider the tax and legal implications of their decisions across a host of overseas jurisdictions. We asked four independent asset managers how they tackle this challenge, and whether being based in Switzerland is a problem

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As a leading wealth management centre, Switzerland attracts a diverse range of international clients seeking wealth management services both within and outside of Switzerland.

At MWC, we cater for clients from the four corners of the world, encompassing Swiss nationals, British expats, Americans and Indian clients.

This does present us with some challenges when dealing with different tax rules and financial regulations, which

sometimes limits the possibilities for the client's investment portfolio and planning choices.

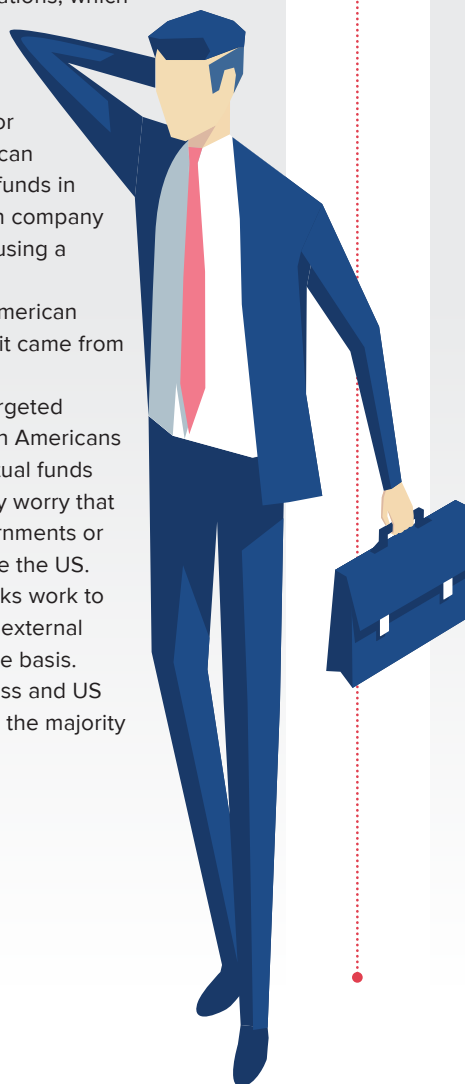
For example, we recently encountered a case in which an expat from the US used a Swiss bank for his banking and investment needs. Being an American client, he needed to invest in American-registered funds in order to comply with US passive investment foreign company rules, and we therefore created a portfolio for him using a diverse range of American mutual funds.

However, a problem arose in that some of the American mutual funds did not accept the subscription since it came from outside the US.

In the past, the US Department of Justice has targeted foreign institutions and held them responsible when Americans did not file their tax returns correctly. American mutual funds now fear that the same might happen to them. They worry that they might be hit by legal action from foreign governments or regulators if they accept funds from sources outside the US.

Many wealth management firms and private banks work to combat this by having a wide range of internal and external expertise that is brought together on a case-by-case basis.

At MWC, for example, we have in-house UK, Swiss and US specialists, and via our partner banks we can cover the majority of OECD countries.



**JORGE FREY**  
Marcuard Family  
Office  
Zurich

We concentrate on just a few countries outside Switzerland: mainly the US, the UK and Israel. We look mainly to countries where we have expertise in-house, speak the language and understand the culture well.

We also have good business networks in those countries and can rely on our partners for any services we cannot offer ourselves.

In every case, legal considerations come first. This is why we concentrate on just a few countries outside our borders.

The service offering does not differ much, and it is interesting to see that wealthy families usually face similar issues irrespective of their domicile. Services such as asset management in liquid and illiquid markets, family governance and succession planning, and support in legal and tax matters are things that the majority of our clients require. The latter is always co-ordinated with local representatives and specialists.

The risk and return profile of the investment strategies are seldom aggressive, but are instead diversified. The tendency to invest in illiquid investments – such as private equity, direct investments and real estate – persists, especially for international clients.

Clients have the option of working with two family offices: one in the US and one in Europe/Switzerland. We have looked into opening other offices abroad, but came to the conclusion that it does not make sense. We prefer to collaborate with our business partners, who also profit from reciprocal activities.

Meetings either take place in our office in Zurich when clients are travelling, or in their home country, in accordance with applicable laws and regulations. The majority of our clients do not feel the need to have their family office in their hometown.

*In every case, legal considerations come first*



**THOMAS ZENNER**  
Family Office  
360grad  
Stans

360grad is a multi-family office specialising in advising entrepreneurial families and wealthy private individuals from central Europe and the Balearic Islands.

Through our circle of shareholders, we have excellent tax and legal co-operation in the various countries and we can meet the international requirements of our clients in every respect. Our consulting approaches are very different. Issues such as moving from Germany or Austria to Switzerland regularly involve discussing exit taxation. The regulations in

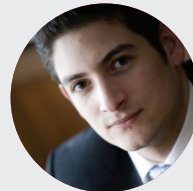
Austria regarding participation in corporations when moving to Switzerland are certainly easier to work with than those in Germany.

*Local considerations are no longer sufficient to control a fortune properly*

The acquisition of real estate in the Balearic Islands and in Spain, for example, has to be treated differently than it would be in central Europe. In addition to a comprehensive due diligence process, the peculiarities of the property tax have to be considered, as well as whether a residence status has been established.

The tax considerations are different too, depending on whether the client is from an EU country or from Switzerland. More and more clients are international now, especially among the next generation. Local considerations are no longer sufficient to control a fortune properly. Diversification is an obligation and not just for investing in securities. As part of the process, clients expect comprehensive support to avoid any legal problems or tax disadvantages for their investments.

By being independent and having our headquarters in Switzerland, we have the ideal setup. We don't need foreign branches because we have an excellent network in the countries that are important to us.



**ELIO BARZILAY**  
Hyposwiss  
Advisors  
Geneva

Hyposwiss Advisors is a Swiss-based wealth management company entirely dedicated to North American investors. Our client focus creates value for our US and Canadian clients thanks to our financial knowledge and expertise in efficient financial instruments suitable for those jurisdictions.

Our investment services tackle important client concerns such as understanding tax and reporting obligations, monitoring the currency exposure of assets and building tailor-made portfolios.

Financial products such as funds, ETFs and structured products can have significant tax compliance consequences for investors. For example, Ucits or other European-domiciled funds may result in burdensome and complex tax reporting obligations for American taxpayers. Based on our expertise, we endeavor to guide our clients through product offerings to avoid common mistakes and ensure they select suitable and cost-efficient products.

Another important concern for our clients is the 'true' currency exposure. An ETF listed in New York but invested in European shares may be traded in US dollars and be presented in bank statements as a 'dollar' holding, when in reality the underlying currency exposure is euros. We systematically track the underlying holdings of the products we invest in to minimise unforeseen risks and achieve the correct currency exposure desired by the investor.

Defining an acceptable risk tolerance level with each client is another key pillar in our business model. Based on our experience, North American clients are much more eager to invest in equities and do not consider a 70%-plus stock allocation as 'dynamic' or 'aggressive', contrary to usual Swiss asset management standards. Our value added is in building a diversified portfolio oriented towards sustainable performance with an acceptable risk level.

On top of our expertise, being based in Switzerland offers a significant competitive edge to our clients in terms of stability, access to multiple asset types and a large choice of local counterparts and custodian banks.

We offer differentiated and complementary advice from our peers located in the US or Canada. Our worldwide investment framework and perspective help us to build more resilient and robust portfolios.

As a fully registered asset manager in the US and Canada that is also under supervision from the authorities in Switzerland, we comply with the highest global standards and best practices. By offering personalised services to our North American clients, we aim to achieve a solid performance for future generations.