

THERE IS NO DRAMA, NO DRAMA AT ALL!



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As Robert De Niro said in a now famous ad about Switzerland; "There's no drama, no drama at all!". Although somewhat of an overstatement, Switzerland does continue to stand out for its political and financial stability, its infrastructure and its investor-friendly regulations.

These all contribute to making the country a global banking leader and an unavoidable destination for asset managers looking for investors.

In the context of 2024, the Swiss fund market continues to grow with assets under management increasing to over CHF 1.5 trillion, an increase of over CHF 130 billion since January, with both equities and money markets seeing growth in the same timeframe. We see growing demand for funds from local players and increased interest from foreign managers who are attracted to the Swiss investor landscape.

NOT RESTING ON ITS LAURELS

Rather than react and endure the changing regulatory landscape just beyond its borders, Switzerland has sought to shape it in a bid to solidify its standing and increase investor confidence.

Thus, was born a landmark agreement between Switzerland and the UK, home to Europe's financial capital: London. The agreement is unique as it emphasises mutual recognition of each country's financial regulations rather than harmonisation, a model espoused by the EU.

The Berne Financial Services Agreement (a.k.a., the Mutual Recognition Act or "MRA"), signed on December 21, 2023 aims to enhance the cross-border market access of certain wholesale

financial services between the UK and Switzerland.

This agreement is significant as it mutually recognises the equivalence of the two countries' legal and supervisory frameworks across several financial sectors, including banking, investment services, insurance, asset management, and financial market infrastructures.

Crucially, the agreement will allow British firms and wealthy individuals from the financial services sectors — including banking and asset management — to operate in Switzerland while still following the UK's regulatory rulebook and vice versa.

IMPLICATIONS

Although the UK and Switzerland are positioning themselves as key financial hubs outside the European Union, there has been a muted response from the bloc. Current indications show that Europe has likely come to accept the unique roles both London and Switzerland have in the global financial landscape and are unlikely to react with any meaningful response.

Indeed, while Brexit led to some initial relocations of financial professionals from London to EU cities like Frankfurt and Paris, many have since returned, reaffirming London's enduring appeal as a global financial centre.

"Swiss and UK firms will soon be able to easily access sophisticated clients in each jurisdiction."

For the agreement itself, the MRA enhances legal clarity for in-scope investment services, such as portfolio management and investment advice. Importantly, it will also enable firms to engage with certain sophisticated clients across borders without facing obstacles.

Market access procedures, client classifications, and disclosure requirements are clearly defined in the MRA, while asset managers are provided with greater certainty regarding fund marketing and portfolio management delegation.

Swiss and UK firms will soon be able to easily access sophisticated clients in each jurisdiction. For example, Swiss investment services firms will be able to offer services directly to UK clients without UK registration. UK counterparts will also gain similar access to the Swiss market.

Within the asset management sector, the MRA ensures market access for Swiss firms seeking UK clients and vice versa, maintaining existing portfolio management channels. This is particularly relevant due to the existing substantial cross-border client base.

WILL MUTUAL RECOGNITION LEAD TO MUTUAL GAINS?

The agreement still requires ratification by the parliaments of both countries before it can be implemented but optimism is high. The potential reduction in red tape and increased efficiency in cross-border operations will be some of the most obvious benefits, particularly for fund managers looking to tap into these two wealth management markets.

Swiss banks stand to benefit significantly as they can now serve UK clients more effectively without establishing a physical presence in the UK.

The mutual recognition set forth in the agreement should significantly reduce regulatory barriers for Swiss and UK financial services providers and will undoubtedly boost the international competitiveness and attractiveness of both financial centres.



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