

# HOME *from* HOME

Independent firms are increasingly getting to grips with the challenges of working with US clients. So as the business is reshaped by regulation, how do independent managers cater for those clients?



**JORGE FREY**  
Marcuard Family Office  
Zurich

Since its foundation in 1998, Marcuard Family Office has found that US clients want to have a strong base and international diversification at the same time. The majority of them have custody on both sides of the Atlantic: for operational activities and structures they prefer the US and for strategic- and long-term investments they prefer an international and/or a Swiss custodian.

In general, US clients are less risk averse with their long-term investments than European clients and the allocation to more risky assets is therefore higher. We also find that US families are less multi-jurisdictional than clients outside the US. The second and third generations usually stay on US soil because of the educational and professional alternatives the US offers and also because of its stability and positioning compared with other countries.

Marcuard took the banking crisis in 2008 as a chance to expand its US client base. It registered with the US Securities and Exchange Commission (SEC) as foreign investment adviser in 2010. Marcuard's US clients – residents in the US or clients treated as US clients for other reasons – enjoy the protection of US laws and regulations. However, the SEC registration does not apply to Marcuard's other clients, who are not subject to US laws.



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**DR. MAURIZIO GENONI**  
LimmatWealth &  
Park Wealth  
Zurich

To satisfy the increasing demand for US advisory services, we just founded a new Swiss company, Park Wealth, which has recently registered with the SEC as an investment adviser.

In order to meet the needs of US clients in terms of following US tax and regulatory laws, it is important for us to work together with custodian banks that are familiar with servicing US clients. This familiarity with US laws limits the range of financial institutions we can work with.

In our highly regulated world it is also important to choose the right investment products. These products must be suitable for US clients from both a tax and regulatory perspective. We use our internal fund research desk to identify products we believe are best suited to meet the investment objectives of our US clients. Our head of research is in regular contact with US fund managers and travels several times a year to the US to meet them and discuss their strategies.

The US world of investment products offers some interesting solutions specifically designed to meet the needs of US taxpayers.

For example, there are fixed income products that offer tax-free interest income (such as the American High-Income Municipal Bond fund) and other products, especially in the fixed income area, where one can find unique opportunities in the US.

One sector for which we invest through funds (such as the Angel Oak Multi-Strategy Income fund) is the US mortgage market. We recommend such products specifically designed for US taxpayers to take advantage of these unique markets.



**ELIO BARZILAY**  
Mirelis Advisors  
Geneva

As part of the enactment of new regulations in Switzerland, the financial sector has adapted to international standards to improve asset management quality and increase investor protection and transparency. The adoption of this regulatory framework has added a new dimension to independent wealth managers.

There is a triangular relationship between the investor, the bank and the asset manager. Mirelis Advisors acts as a portfolio manager within this set-up.

Long-standing existing relationships with US and Canadian beneficiaries can be kept by the banks acting as custodians, with delegation of the portfolio management to Mirelis Advisors.

Similarly, trust structures are often subject to changes of beneficiaries' residence, including relocations to the US or Canada. Trustees are able to maintain the assets held with an existing bank provided the independent adviser is duly registered.

Despite managing US and Canadian clients, we prefer to remain in Switzerland because it is a prime financial centre and private banking centre with established political stability. It allows clients to access multi-currency/multi-jurisdiction financial products. The open-architecture environment offered by asset managers adds a layer of independence and long-term performance focus.

We act as a family office. Consolidated information on several accounts held in Switzerland and overseas can be presented to the same beneficiaries. Global information on retirement accounts, living trusts, family structures, and so on, is conducive to a more efficient and risk-controlled asset allocation.





**YANN ROUSSET**  
PILOTAGE PRIVATE WEALTH  
Geneva

In a globalised world, more families than ever are becoming international, whether that be through studying or working abroad, or having a partner with another nationality.

Being a French-American dual national raised in different countries, I know first-hand the challenges that globally mobile US families can face managing their wealth. There is a need for global advice and solutions compliant with US regulations to address these complex, cross-border wealth issues.

Many non-US families will also need specialised advice because of their ties to the US, whether they are personal – for example, if their son/daughter is living in New York – or professional – for example, if part of their business is exposed to the US.

In 2009, Swiss banks came under scrutiny and were targeted by the US Justice Department for some of their previous practices. However, Switzerland has since reinvented itself and today is one of the most, if not the most, robust and transparent banking platforms. Swiss banks have upgraded their reporting systems, compliance programmes and IT software, and they are ahead of most US and European banks.

If you are a global US person or family, Switzerland, as one of the few countries in the world rated AAA by Standard & Poor's, makes a lot of sense. Swiss banks have a global reach and know-how, and are well capitalised, with economies of scale benefiting clients.

PILOTAGE is SEC-registered and was founded to guide both US and international families through US cross-border investment and private business challenges. Being independent and based in Switzerland is key in our ability to advise our clients. As independent advisers, PILOTAGE is not tied to any custodian bank and our priority will always be our clients. In practice, we use banks for their strengths and therefore work with different Swiss, US or European banks based on our clients' needs.



**MARTIN STRAUB**  
Envisage Wealth Management  
Zurich

Answering the question of how we serve US clients is like asking how porcupines mate. Very, very carefully!

Facetiousness aside, catering to US clients overseas is actually relatively unproblematic. Most services can be provided without a great deal of fuss. There are two main areas that have caused the problems, hence the current uncertainty: the provision of investment management services and helping Americans evade tax.

The provision of investment advice, which includes most types of asset and investment management is fine for a non-US financial institution up to the two ceilings of 15 US clients or \$25 million under management.

Over these limits the investment adviser must register with the SEC and place themselves under the aegis of the SEC and the legal jurisdiction of Washington D.C. The compliance burden of taking this step is onerous and should not be undertaken lightly.

Helping Americans evade tax is outright illegal. Though popular in the past, this is well and truly over.

A large part of financial institutions' fear of serving Americans is based on the possibility of inadvertently crossing the line. US tax law being so arcane it is easy to violate the rules.

Aside from these two areas, you can provide most commodity financial services to Americans with few problems: payment services, basic banking, custody, risk insurance, loans, pensions, local financial planning advice and so on.

Be aware at all times that US clients are subject to very onerous reporting requirements to the Internal Revenue Service and Treasury. You can assume that anything of material monetary value or producing material income will be reported somewhere. Probably on multiple forms.

The current anxiety is based largely on events of the past where some foreign institutions considered themselves immune to US law. Uncertainty equals risk in the human psyche. Humans don't process uncertainty well, assigning a disproportionately high weight to unfamiliar, nasty outcomes.

Because uncertainty is so uncomfortable, most people will make bad decisions to create the illusion of certainty. Humans run financial institutions. Humans write policy. Large chunks of current bank and other institutions policy are based on overreaction to perceived risk.

In summary, the rules, regulations and reporting requirements for US clients are actually pretty clear. Tax compliance is and will be part of everything you do with a US client because they will or should have their Certified Public Accountant or tax attorney looking at everything. The risk to your US client is at least as great as the risk to you.



**ALLAN MAKSYMEC**  
Strategic Asset Management  
Geneva

We are an SEC-registered investment adviser (RIA), which allows us to advise and manage portfolios for US residents and nonresidents.

The most important concept for SEC RIAs is proper disclosure and conduct. This includes documenting the risk profile of clients, the suitability of investments for each client, and providing adequate risk and operational disclosures.

We launched Strategic Swiss Advisors in 2013, at a time when many Swiss banks decided to discard their US clients because of additional American administrative and regulatory requirements. As North Americans ourselves, we felt Switzerland still offered many benefits to US clients. Even after 400 years, it's still one of the most stable banking systems in the world. Despite the global financial crisis, political turmoil and other global issues, Switzerland has remained remarkably resilient.

There are no tax advantages to opening an account outside the US if you are a US person. Clients need to consult qualified US tax experts and conduct their tax planning accordingly.

As the world becomes more globalized and market regulators request more transparency, governments and regulators are becoming more connected than ever. Banking secrecy is arguably no longer as realistic as it was 50 years ago.

As external advisers, we harness the country's best banking practices to provide unrivaled continuity to our clients and their families.

Because of the US Fatca implementation, many families have realised that they are subject to US regulations. We have seen cases where a foreign family trust was settled by non-US persons, but later generations worked, went to school in the US, or perhaps married an American. As a result, the structure can benefit from the knowledge of an SEC RIA; either to help the trustees manage a new account, or maintain an existing account that has been flagged during a Fatca review by a foreign bank.