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"International allocation of asset portfolios – paradigm shift in the competition between loctions?"

If one were to conduct an analysis of worldwide locations and the migratory movement of large asset portfolios, at first glance one would probably not find anything too surprising. The historically developed centres of asset management such as Switzerland, Luxembourg and the Principality of Liechtenstein as well as the well-known smaller offshore locations are simply "established". The dynamic centre of new wealth – Singapore, as an Asian antithesis to this – did, and does so to this day, in an unparalleled manner, attract mainly assets that have been acquired recently and productively. In particular, migratory movements motivated by taxation and regulations are taking place in the majority of cases among precisely these financial centres. So far so good. But if we look at the original motivation of asset holders and compare these with current realities and developments, the picture becomes much more distinct.

1.) The generation of heirs often decides differently

It is no great secret that the inheriting generation tends to base their strategic orientation of large family assets increasingly on other or newly weighted propositions. Against the background of dramatically altered geopolitical power structures, the realization of the finiteness of global resources and the changes to the social value systems, the regional allocation of assets is also increasingly being scrutinised to determine what is most sensible.

2.) Globalisation also reduces the effect of tax arbitrage

The fiscal optimisation possibilities of financial investments and the choice of location that frequently goes hand in hand with it are losing their effect due to the impact of bilateral and multi-lateral tax treaties, national amnesty regulations, tax levelling and international reporting procedures. Capital market interest rates, which by now have been falling for over twelve years, mean the relative attractiveness and effectiveness of asset management models is on the wane.

3.) An increased quality standard as the logical conclusion of changed conditions

Despite all the optimisation measures still possible today, the primary requirement of real asset preservation is in greater danger than ever before. Managers of several large Swiss banks quite self-critically concede in private conversation and off-the record that some complacency has set in due to the continuous flow of new assets in day-to-day business. Hence, after decades of what amounts at times to neglect, all eyes are yet again on the hands-on component of asset management.

4.) The influence of economic and political stability on the choice of location is growing

As the saying goes: “Capital is like a shy deer” – and this is true. When food gets scarce, the deer increases its radius of activity. If its very existence is at stake, it will resolutely take flight and at great speed. In countless talks with clients, at congresses and in informal meetings we sense the notion of a “safe haven” is becoming ever more important. If this statement did once largely refer to US government loans and German federal bonds, nowadays it increasingly includes countries with reliable economic perspectives and policies.

Where does the journey take us?

To avoid any misunderstandings: the aforementioned thoughts outline some tendencies and insights that form part of long-term, and in parts homoeopathic, processes of change. This process, however, must be monitored diligently by all involved.

- By investors, in view of their own responsibility for sustainably ensuring security and income from their own assets.
- By asset management agencies and banks, to be pro-active during structural changes and to maintain customer relationships and secure client orders.
- By governments that have a sophisticated interest in a prospering and attractive financial sector.
- And last but not least, by product producers that must consider any changes in general conditions and investor objectives when designing and realising individual solutions.

Conclusion

Asian financial centres are here to stay – there’s no way around it. This remains a challenge in particular for Switzerland as a financial centre. Not all institutes are prepared for the paradigm shift from “collecting” new investment monies towards pro-actively acquiring new customers coupled with stronger competition – to which we must add the large neighbouring countries of Austria, and especially Germany, which also enjoy high economic and political stability and boast a highly professional elite of private banks and asset management companies accustomed to competition and rich in tradition. Excellent, country-specific deposit guarantee systems, robust “conflict-of-interest policies” and the strictest monitoring of adherence to legal regulations are also worth more than just a fleeting glance.

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