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## **Private Banking**

**A multi-family office is not the appropriate service or solution for everyone. Employing a multi-family office only makes sense from the perspective of a minimum amount of wealth, and some people prefer just to manage their own assets, meaning they want to work directly with a private bank. Here, you can find out about the background to private banking services in Switzerland, as well as what aspects to pay attention to when choosing a private bank.**

With almost 300 private banks located in Switzerland, and even more outside the country, many people find it difficult to choose the private bank that is right for them.

Not only do you have to pay attention to the quality of the services these banks offer; nowadays issues such as security, reliability and financial stability (especially the Tier 1 capital ratio) are at least as important. You want to work with experienced and well-educated staff, and the bank needs to be established in a reputable and stable jurisdiction.

### **What is a private bank?**

A private bank offers sophisticated and personalised investment and other banking services to wealthy, private individuals.

The word “private” in private banking does not only refer to the fact that investment solutions are offered to private individuals, but historically refers to the ownership of the bank being held by private individuals via a partnership structure. Those partners were liable for the debts of the bank to the full extent of their personal belongings. These days, truly private banks hardly exist.

Most Swiss private banks only serve clients holding USD 1,000,000, or more. Clients holding between USD 250,000 and USD 1,000,000 are mostly dealt with by a bank’s affluent client desk.

### **Private banking services**

The services provided by Swiss private banks are unique. The quality and diversity of investment services are unmatched anywhere in the world. The bankers are highly qualified and experienced, and centuries of historical private banking know-how is passed down from generation to generation. Personalised service is at the very heart of the business model.

A Swiss private bank stands apart from local private banks thanks to its expertise and experience in investments and investment classes from around the world. A Swiss private

bank is not only knowledgeable about the securities traded on your local stock exchange, it also advises you on the securities traded on all other international stock exchanges. It employs specialists from all over the world, each of them with their own specific focus on different investment classes, such as hedge funds, precious metals, foreign exchange or emerging-market bonds.

In most private banks you will be able to choose between three different service models:

- discretionary mandate
- investment advisory mandate
- execution only

## **Switzerland**

Switzerland is renowned for its private banking. Today, clients choose Switzerland as their banking location because of its security, reliability, stability and excellent services.

Switzerland's origins date back more than 700 years. Since 1848, Switzerland has been an independent federation and its political system is a so-called "direct democracy". This means that Swiss residents have unparalleled influence on almost every political decision.

Switzerland has hardly been negatively affected by the 2008-2011 financial crisis and as a result of its very low government debt ratio, it is one of the very few countries which has a AAA credit rating.

The Swiss economy, recognised for its high-quality products and innovations, is considered to be one of the most competitive and advanced in the world. All this contributes to Switzerland's "safe haven" position in the world.

## **Safeguarding your assets**

By keeping your assets in a Swiss private bank, not only do you receive excellent service, but you also safeguard your assets.

Banks can go bankrupt; today, even the entire financial infrastructure of a country can find itself in trouble. There are also many regions in the world which are financially or politically unstable. Geographical diversification is therefore a must if you want to preserve your assets.

Privacy is declining every year in almost every country around the world. Some people prefer just to keep their wealth private, but for others their personal safety depends on it. In many jurisdictions, a family's safety may be at risk from kidnapping, robbery or extortion once it becomes public knowledge that the family is wealthy.

## **Tier 1 capital ratio**

A bank's Tier 1 capital ratio is the best indication of its financial strength: the higher the Tier 1 capital ratio, the more secure and stable the bank. Before the 2008 financial crisis, financial regulators demanded a very low, single-digit ratio from banks. As a consequence of the financial crisis, banks are now required to hold a minimum Tier 1 capital ratio of 9%. For its part, the Swiss financial regulator (FINMA) demands that banks relevant to the Swiss financial system have a ratio of more than double this.

In Switzerland, there is a very exclusive club of private banks which have a capital ratio of over 25%. In most cases, these banks only offer private banking services. These banks are the most secure and stable ones worldwide.