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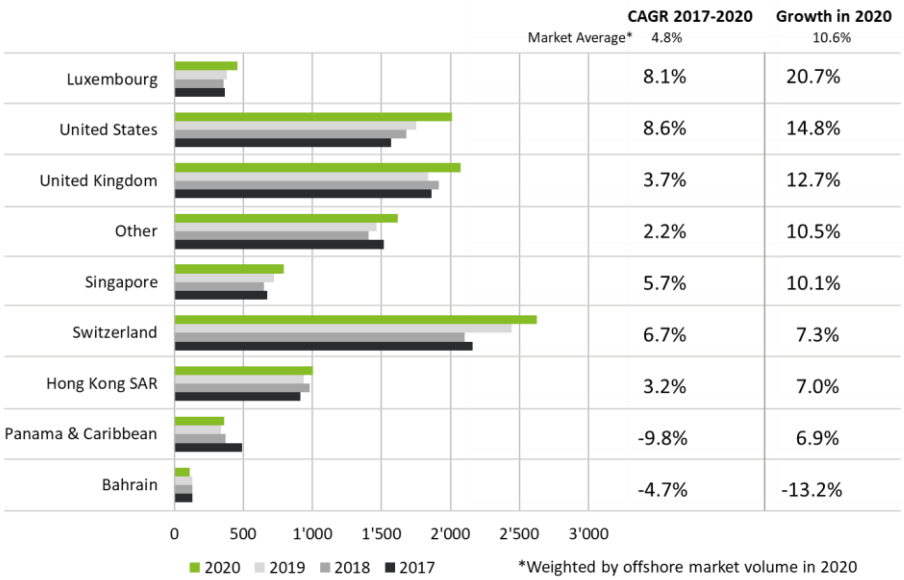
International Wealth Management: Despite lower asset size growth, Switzerland still number one

Switzerland remains number one in an accelerating market that grew by over 10% in 2020. No other country attracts more money from international private clients, according to a new study by Deloitte. Likewise, Switzerland still leads in terms of competitiveness. Yet, of the nine leading wealth management centres, Switzerland ranked only sixth in terms of growth rate for 2020 – only marginally ahead of Hong Kong. Political stability has become an increasingly important underlying factor throughout the pandemic. The suspension of negotiations between Switzerland and the EU on modernisation of their framework agreement is no fillip for the Swiss financial market and makes market access discussions more challenging than ever. For these reasons, the development of new models for digital interaction with clients and improved product offerings should be the primary concern of local wealth managers.

According to the fourth edition of the Deloitte *International Wealth Management Centre Ranking (IWMCR)*, a study that compares wealth management centres around the globe in terms of asset size, competitiveness and performance, the leading centres of international wealth management did surprisingly well during the COVID-19 pandemic. At 10.6%, market growth has been the highest seen in the past decade and significantly above that of the last four-year weighted average of 4.8%. Investors tended to relocate their assets to "safe haven" markets with greater political and financial stability as well as better service offerings. Global wealth concentration also had a positive impact for international wealth management markets, as wealthy individuals typically hold a significant proportion of their assets outside their country of residence.



Graph: International market volume of leading wealth management centres (in US$ billion)

Switzerland continues to lead the way with USD 2.6 trillion in international assets, followed by the UK and the US in second and third place. While the top positions remain relatively stable, the US, UK and Luxembourg have been able to catch up due to their dynamic growth and strong rebound post the initial COVID-19 shock. Switzerland, on the other hand, achieved growth of 7.3 %, which is below the weighted average growth rate for the nine centres of 10.6% and relegates the market to the bottom ranks in terms of volume growth.

Growth in new assets significantly slower in Switzerland

Additionally, Switzerland has not been able to attract significant amounts of net new assets. The increase in international market volume in absolute terms was mainly due to the appreciation of the Swiss franc against the US dollar during the pandemic, again reflecting the stability of the political and financial system. The report points to clear priorities that need to be tackled if Switzerland is not to fall behind the competition.

"International wealth management had a very successful year, but Switzerland couldn't keep up with the overall market development and the gap between Switzerland and the UK and US is shrinking. Swiss wealth managers are the clear worldwide leaders when it comes to competitiveness. Their scale provides a good basis for the much-needed digital push by the industry and the high number of served booking centres will help them to further consolidate their leading position", explains Patrik Spiller, Wealth Management Industry Lead at Deloitte Switzerland and Europe.

“Another trend that will intensify competition is the consolidation process foreseen for the Swiss wealth management sector. Regulatory pressure and the need to invest in digitalisation mean higher costs, which can be difficult for smaller private banks and independent wealth managers to bear”, explains Jean-François Lagassé, Global Wealth Management Leader and Financial Advisory Partner at Deloitte Switzerland.

Switzerland the most competitive

As far as competitiveness is concerned, Switzerland retains its top position, with Singapore and Hong Kong in close pursuit. This is worth noting, as Asia’s wealth is expected to outpace all other regions in the next few years. Switzerland’s only competitive weaknesses are its smaller domestic market and the lower relative profitability of its wealth management providers. “Now is the time for Swiss wealth managers to quickly introduce new models of digitally enabled interaction with clients and enhanced product offerings enabling clients to easily tap into private markets, cryptocurrencies and tokenized assets”, Patrik Spiller adds. “Another priority we have identified is investment in data and analytics to be able to deliver efficient and differentiated proposals to drive sales productivity. And wealth managers need to define their ‘purpose’ and find alternative ways beyond financial reward to attract ever more demanding young talents.”

ESG, privacy and digitization the keys to success

COVID-19 made digital capabilities absolutely crucial, and companies are putting even greater emphasis on environmental, social and governance investments. “There’s also a clear opportunity for Switzerland in modernising its financial privacy laws. Swiss wealth managers must make full use of digital innovation while still being compliant with the regulations. The ambition of the Swiss financial marketplace should be to become the ‘platinum standard’ for data security and privacy in digital wealth management”, says Patrik Spiller.

About the Deloitte Wealth Management Centre ranking

For the fourth time (2013, 2015, 2018 and now 2021), Deloitte has ranked and analysed the world's leading wealth management centres based on their competitiveness, size (international market volume) and performance. International wealth management centres are defined as countries or jurisdictions specialising in and serving private clients from around the world on a large scale. The report is based on Deloitte's own database on private banking and an analytical model that draws on raw data and financial figures from third-party providers.

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