The Deloitte Wealth Management Centre Ranking 2015
Capturing value in a shifting environment

2nd Edition

A Deloitte Switzerland Report

Audit, Tax, Consulting, Corporate Finance

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Foreword

The international private wealth management industry has come successfully through the global financial crisis and the subsequent challenges of weak national economies and increased regulatory activity. Consumer demand has been weak worldwide and economic recovery has been slow. Nevertheless, financial markets have enjoyed rapid growth, boosting private wealth; and expansionary monetary policies and evolving emerging markets have helped wealth managers to increase their client asset volume. On the other hand, in spite of this positive development, providers of wealth management services face the challenge of falling revenues and profit margins in their cross-border business.

For any wealth manager, a critical factor for success is attracting new client assets. The best opportunities are currently found outside Europe, in emerging economies, mainly in Asia, where there is strong growth in consumer disposable income and wealth creation. Many Swiss- and European-based wealth managers are recognising this enormous opportunity and are stepping up efforts to gain access to these markets. However, local wealth management centres, such as Hong Kong and Singapore, with their local banking service providers, are geographically closer to clients in the region and seem to be more successful in competing to exploit the market potential.

Switzerland's current excellent competitive position, however, cannot be sustained by asset growth alone. Wealth managers need to make the right strategic choices in response to increases in both competition and the regulatory burden. It may be tempting to view the regulatory interventions as a closed chapter whose primary causes have been resolved, but regulation regarding the wealth management industry will remain on the political agenda. Switzerland's competitive position therefore depends on wise policy choices, as demonstrated previously in our 2013 Wealth Management Centre Ranking Report.

Against this backdrop, our 2015 report looks at the current rankings of leading international wealth management centres. It also analyses the performance of Swiss-based wealth managers and makes recommendations for improvement. This report will answer the following three key questions:

- How did the main wealth management centres perform in the period 2008 – 2014?
- What was the performance of Switzerland's international wealth management centre in the same period?
- What is the 'path to value' for international wealth management services providers?

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Executive summary

Performance by market volume (2008-2014, in USD)

Global market volume increased by 2.2%

Switzerland remains the leading wealth management centre, while Hong Kong achieved the highest growth since 2008

Market volume growth

Overall international market volume (IMV) increased from USD 9.0 trillion in 2008 to USD 9.2 trillion assets under management and administration (AMA) in 2014. This increase of USD 0.2 trillion or 2.2 per cent was driven by economic growth, positive capital market performance, and an increase in the number of millionaires; but it was also affected by repatriation and regularisation of client assets.

Leading centre: Switzerland

Switzerland maintained its position as the world's leading international wealth management centre, managing and administering USD 2.0 trillion at the end of 2014 (an increase of 14 per cent since 2008). This puts it ahead of the United Kingdom (USD 1.7 trillion, an increase of 14 per cent) and the United States (USD 1.4 trillion, an increase of 28 per cent).

Growth leader: Hong Kong

Fifth-placed is Hong Kong, which achieved growth of 146 per cent (+USD 0.4 trillion) in cross-border client assets during the period, more than any other centre. This increase was sufficient for Hong Kong to overtake Singapore in the rankings.

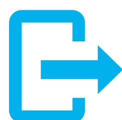
Stagnating centre: Singapore

Despite a strong increase in client assets of 24 per cent, Singapore fell by one position and is now ranked sixth with USD 0.5 trillion assets booked.

Losing centre: Panama & the Caribbean

The volume of client assets in Panama and the Caribbean fell by almost half, the largest decrease in any of the major centres. Its ranking is currently number 4.

Performance by net new assets (2009-2014, in USD)



Global outflow of client assets; market volume growth is mainly driven by capital market performance

Net new assets leader: Hong Kong

The highest growth rate in net new assets (NNA), i.e., IMV development excluding market and FX effects, in the period 2009-2014 was achieved by Hong Kong; the overall growth in NNA was USD 0.29 trillion or 108 per cent measured against its 2008 IMV.

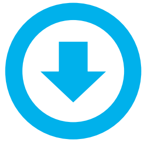
Only one year of NNA growth

Across all the main wealth management centres, 2012 was the only year within the period when the aggregated total of net new assets increased. The worst year was 2009, with a total outflow of USD 0.6 trillion.

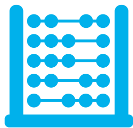
Negative NNA production

Except for Hong Kong, the only other international wealth management centre attracting net new assets was Singapore, with NNA growth of USD 40 billion. The two leading wealth management centres, Switzerland and the United Kingdom, experienced a cumulative outflow in the same period of USD 135 billion and USD 300 billion respectively. The United States lost USD 10 billion. Among all wealth management centres, the biggest NNA reductions measured against 2008 IMV were in Bahrain (39 per cent reduction), the United Arab Emirates (43 per cent) and Panama & the Caribbean (75 per cent).

Switzerland's international market performance (2008-2014, in CHF)



Relative importance of international wealth management is declining



The overall profit margin for Switzerland has been decreasing by 5% annually since 2008

Decreasing market share	Switzerland's share of international market volume (IMV) grew by 7 per cent in the period. However, domestic market volume (DMV) increased by almost 43 per cent, reducing the relative importance of IMV for the Swiss Wealth Management Centre.
Stable dependence on European clients	The split between European and non-European clients (by residence) remained stable around 60 per cent: 40 per cent. Within Europe, most clients still come from Germany. Outside Europe the most important market regions remain the United States, Canada, Australia, New Zealand and Japan.
Capital market performance driving growth	Capital market performance was the key driver for IMV growth (+CHF 625 billion). This was offset by foreign exchange effects and NNA production, which contributed negatively to the overall asset base by CHF 353 billion and CHF 141 billion, respectively.
Fading profitability	The industry profit margin fell from 40 basis points (bps) to 24 bps. This was offset to some extent by an increase of seven per cent in client assets.
Productivity decrease	Profit per employee fell by about 25 per cent over the period; at the same time AMA per employee increased by 24 per cent. Total NNA per employee over the period was an outflow of CHF 6.34 million.

'Paths to value' for international wealth management service providers

Urgent strategic changes are necessary, driven by a clear understanding of the future target state

Understand current strategic positioning…

As a way to improve productivity and business performance, every market player should analyse its current strategic position by comparing the progress in client asset volume and operating profit …

…and its future target state…

…while clarifying its strategic intent for the next 3-5 years and its long-term vision (what business it wants to be in)…

…by applying the right strategic choices

…by choosing a 'path to value' through:

- releasing unprofitable investments
- increasing client asset productivity, or
- focusing on new growth opportunities.

Awareness of a clearly-defined strategic choices for each path to value will help market players to generate additional value.

Performance of key international wealth management centres 2008 – 2014

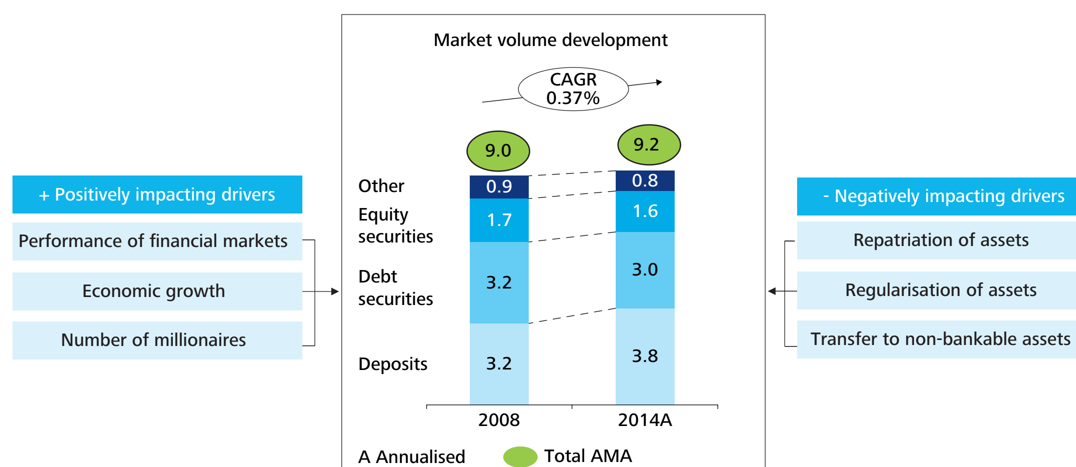
Building on the 2013 report, Deloitte has analysed the performance of nine leading international wealth management centres, together with some smaller ones including the Channel Islands, Liechtenstein, Germany and Austria.[1] The report focuses on performance measured in terms of international market volume (IMV), or assets under management and administration (AMA) for international private clients, and changes in net new assets (NNA).

Overall development

Despite the complex regulatory environment, the total IMV in the wealth management centres researched by Deloitte increased by 2.2 per cent between 2008 and 2014, from USD 9 trillion to USD 9.2 trillion, an average compound annual growth rate (CAGR) of 0.37 per cent. Growth in the capital markets resulted in a shift in the average asset allocation. The share of deposits fell from 36 per cent in 2008 to 33 per cent in 2014, and the share of equity securities (including ordinary shares, preferred shares, notes and funds) increased over the same period from 36 per cent to 41 per cent. The proportions of other asset classes remained more or less constant.

The rather small compound annual growth rate is the result of volatile year-on-year variations in market volume. After reaching the lowest level in 2011 (USD 8.2 trillion), total IMV peaked in 2013 with USD 9.3 trillion. In spite of a slight fall, the IMV level in 2014 was still the second highest amount since the financial crisis.

Figure 1. Market volume development and its key growth drivers (in USD trillion)



Source: Deloitte Wealth Management Database

Six main drivers contributed to developments over the period:

- **Performance of financial markets**. There was a rise in the major financial market indices. The MSCI World Index (in USD) rose by 85.8 per cent and the Barclays World Government Bond Index (in USD) increased by 28.5 per cent (annualised growth of 10.8 per cent and 4.3 per cent respectively).[2] A key driver for the boost in financial market performance was the expansionary monetary policies of central banks.

- **Economic growth.** Partially due to the intervention of central banks, global GDP grew by 20.5 per cent between 2008 and 2013 with a projected further increase of 3.3 per cent in 2014. However, the rate of economic growth was not consistent across the globe. Whilst East Asia and the Pacific (48.5 per cent), Switzerland (24.1 per cent) and the United States (14.1 per cent) experienced positive economic growth, GDP in the European Union fell by 5.6 per cent, and this trend is expected to continue.[3]

- **Number of millionaires.** Accelerating economic growth in many developing countries boosted private wealth. According to the World Wealth Report, the number of High Net Worth Individuals grew from 8.6 million in 2008 to 13.7 million in 2013 (an increase of 59.3 per cent).[4] A substantial number of millionaires seek diversification, not only in their portfolio but also in the countries where their wealth is managed.

- **Repatriation of assets.** In response to a loss of privacy, a reduction in the level of legal certainty and reputational damage to some wealth management centres, a number of international clients' decided to repatriate their wealth. The loss of privacy is a result of the international pressure to lift banking secrecy, which particularly impacted Switzerland, Liechtenstein and Luxembourg. The retrospective reinterpretation of applicable law, as demonstrated by the US effort to prosecute Swiss banks, lowered the trust of clients in stable legal environments. Furthermore, the mostly negative press coverage of international banking issues damaged the reputation of wealth managers globally. In consequence, international wealth managers have started to revisit their business models and are withdrawing from certain countries and/or client segments. This is forcing an increasing number of clients to seek alternatives, such as returning to domestic wealth managers.

- **Regularisation of assets.** In some cases, private individuals have been penalised with some of their assets as part of the regularisation process. These regularisations have mainly been the result of a treaty between their country of domicile and the resident country of their wealth manager (for example the final withholding tax treaties between Switzerland and the UK and Austria) or part of a lawsuit initiated by their home country's administration.

- **Transfer to non-bank assets.** Mainly in response to increasing regulatory pressure (for example country-specific efforts to prevent tax evasion) and in order to avoid prosecution, some clients have transferred their wealth from bank balances to non-bank assets (such as real estate, and investments in artwork or watches).

Once these issues from the past have been resolved, international wealth management centres can look forward with cautious optimism. Wealthy clients will continue to seek the benefits of globally-diversified wealth and the expertise of leading wealth managers – although not as extensively as in the past.

Competitiveness by market volume

At the end of 2014, Switzerland remained the largest wealth management centre in terms of IMV, managing and administering USD 2.0 trillion of client assets. The UK ranked second with USD 1.6 trillion, ahead of the United States with USD 1.4 trillion. In 2012 the United States overtook Panama & the Caribbean for the first time, and Panama & the Caribbean is now the fourth largest international wealth management centre with USD 0.9 trillion. Hong Kong and Singapore are competing for the position of fifth largest centre in 2014, with an IMV of USD 0.6 trillion and USD 0.5 trillion, respectively. Hong Kong overtook Singapore for the first time in 2012.

These developments resulted in an increase of Switzerland's market share from 20 per cent in 2008 to 22 per cent in 2014. Other centres whose market share went up were the United Kingdom (from 16 per cent to 18 per cent) the United States (from 12 per cent to 16 per cent) and Hong Kong (from three per cent to seven per cent). On the other hand, Panama & the Caribbean lost market share from 20 per cent to ten per cent, while other European wealth management centres saw a decline from 21 per cent to 18 per cent. These figures show the strong global market position of leading wealth management centres even in challenging economic times and with high regulatory pressure.

These findings are summarised in Figure 2, which shows the IMV values and market share for each wealth management centre and for each year from 2008 to 2014. Please refer to Appendix A3 for a more comprehensive overview of year-on-year changes and rankings

Figure 2. International private client market volume in the leading wealth management centres (in USD trillion and as percentage market share)

WM centre	2008	2009	2010	2011	2012	2013	2014A	∆ 2008-2014
Switzerland	1.79 20%	1.77 19%	1.81 20%	1.74 21%	2.01 23%	2.14 23%	2.04 22%	0.25
United Kingdom	1.45 16%	1.61 18%	1.63 18%	1.52 19%	1.67 19%	1.73 19%	1.65 18%	0.19
United States	1.12 12%	1.03 11%	0.97 11%	1.08 13%	1.21 14%	1.31 14%	1.43 16%	0.31
Panama & Caribbean	1.77 20%	1.68 18%	1.74 19%	1.21 15%	1.03 12%	1.09 12%	0.93 10%	-0.84
Hong Kong	0.26 3%	0.31 3%	0.32 4%	0.34 4%	0.43 5%	0.53 6%	0.64 7%	0.37
Singapore	0.38 4%	0.43 5%	0.42 5%	0.36 5%	0.36 4%	0.42 5%	0.47 5%	0.09
Luxembourg	0.27 3%	0.27 3%	0.22 2%	0.21 3%	0.24 3%	0.30 3%	0.29 3%	0.02
Bahrain & United Arab Emirates	0.07 1%	0.09 1%	0.07 1%	0.06 1%	0.06 1%	0.06 1%	0.06 1%	-0.01
Other	1.88 21%	1.93 21%	1.77 20%	1.63 20%	1.68 19%	1.70 18%	1.67 18%	-0.21
Total	9.01	9.14	8.97	8.21	8.71	9.30	9.20	

Source: Deloitte Wealth Management Database A Annualised % Share of total IMV Winning centres Losing centres

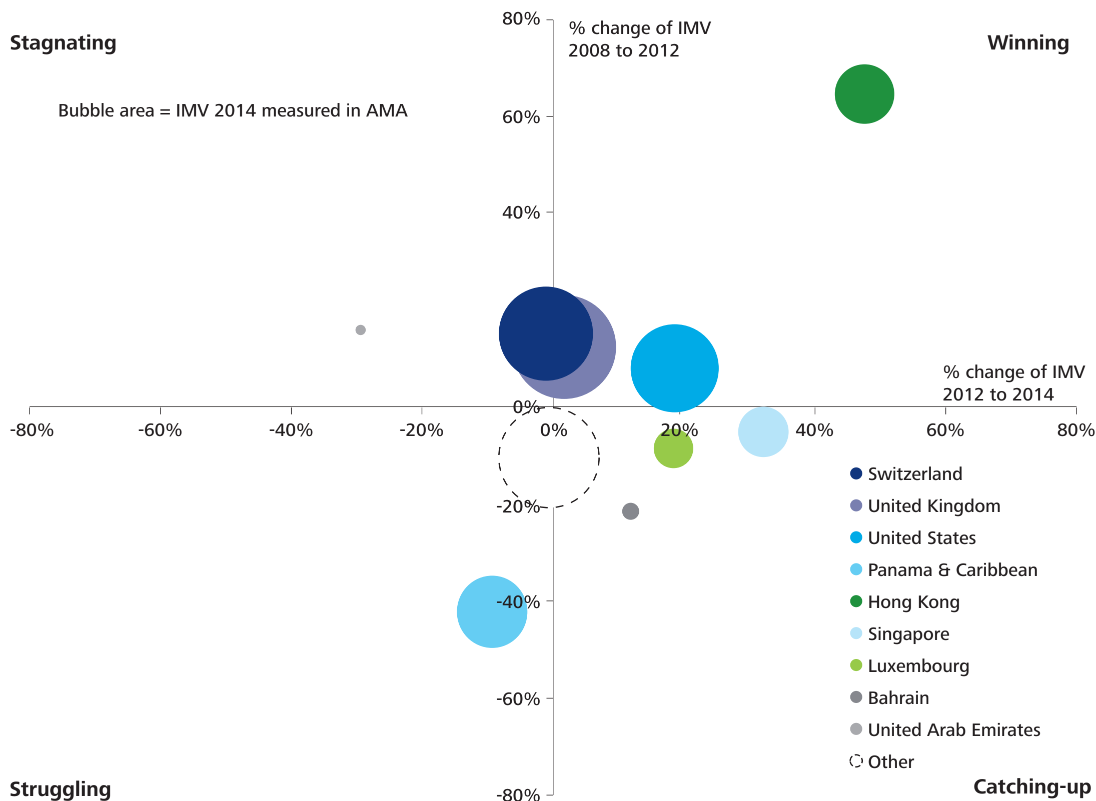
Other: Austria, Belgium, Channel Islands, Germany, Ireland, Liechtenstein, Monaco

The sequence in this overview corresponds to the ranking of international wealth management centres in 2014 in terms of IMV

The period 2008 – 2014 can be divided into two phases. The years 2008 to 2012 saw the rebound from the financial crisis and the subsequent euro crisis, and 2012 – 2014 was a period of tightening regulations. In recent years there has been a multitude of regulations, such as the Foreign Account Tax Compliance Act (FATCA) introduced by the US, Automated Tax Information discussed by the OECD, MiFID II and other client privacy and data protection laws. These have increased the pressure on clients and wealth managers to comply with the tax regulations in their resident countries.

Over the period 2008 – 2014 there have been winning centres and losing centres. Hong Kong ranks first in terms of (relative) asset growth in the period (+142 per cent), followed by the United States (+28 per cent), Singapore (+25 per cent), Switzerland (+14 per cent) and the United Kingdom (+13 per cent). Panama & the Caribbean (with a fall of 47 per cent) lost a substantial amount of market share to the United States, due the Dodd-Frank legislation[5] and the resulting widening of the assessment base by the Federal Deposit Insurance Corporation (FDIC). For further details about the development in wealth management centres see Appendix A3.

Figure 3. Growth in international market volume 2008 – 2012 and 2012 – 2014



Source: Deloitte Wealth Management Database

Other: Austria, Belgium, Channel Islands, Germany, Ireland, Liechtenstein, Monaco

Figure 3 shows four distinct quadrants. Winning wealth management centres exhibited positive IMV growth in both sub-periods. Stagnating wealth management centres experienced an increase in IMVs in the period 2008 through 2012, followed by a decline between 2012 and 2014. Struggling wealth management centres lost IMV in both sub-periods, and catching-up centres grew their IMV from 2012 after a decline in 2008 – 2012.

Comparing the development of the main international wealth management centres, we can see the following patterns.

- Hong Kong was the most successful wealth management centre in both sub-periods, with an increase in IMV of 61 per cent in 2008 – 2012 and 47 per cent in 2012 to 2014.

- The United States successfully attracted assets flowing out of the struggling Panama & the Caribbean, resulting in IMV growth of eight per cent in 2008 – 2012 and a further 18 per cent in 2012 – 2014. Panama & the Caribbean lost nine per cent and 42 per cent in the same sub-periods.

- Switzerland (plus two per cent) and United Kingdom (a fall of one per cent) experienced a rather unsatisfactory period between 2012 and 2014, but both centres increased their IMV significantly between 2008 and 2012 (Switzerland: +12 per cent; the United Kingdom: +15 per cent). As a consequence, both centres are positioned on the borderline between the winning and stagnating quadrants in Figure 3.

- Singapore, Luxembourg and Bahrain are catching up. While Singapore was growing its international IMV base prior to the financial crisis, it lost five per cent between 2008 and 2012 but then started to catch up strongly, with a 32 per cent increase between 2012 and 2014. Luxembourg managed to grow by 18 per cent between 2012 and 2014 following a decline of nine per cent between 2008 and 2012. Bahrain partially compensated for its 22 per cent loss of IMV between 2008 and 2012 by growing 12 per cent between 2012 and 2014.

- Other European centres, excluding Luxembourg, did not quite manage to catch up although they avoided further IMV losses between 2012 and 2014 after a decline of 12 per cent between 2008 and 2012.

These findings suggest that European centres (including Switzerland) suffered from the combined effect of two developments: the euro crisis culminating in 2012, which affected FX performance and led private clients to revisit their strategy of placing assets in international wealth management centres in Europe; and the tightening of regulations in 2013 and 2014, such as MiFID II, tax transparency, FATCA, and banks' efforts to regularise their client assets. In comparison the United States and Singapore achieved moderate growth after the financial crisis but much better performance in 2013 and 2014, due partly to the strengthening of the US dollar in 2014.

Competitiveness by net new assets

Separating IMV growth in the period 2008 – 2014 between new net asset (NNA) flows and the effects of capital market performance and foreign exchange reveals that most centres are struggling to attract net new assets. In total across all wealth management centres, 2012 was the only year between 2009 and 2014 when there was an increase in net new assets (USD 72 billion). The largest outflows of NNA occurred in 2009 (USD 638 billion) and 2010 (USD 596 billion). While some centres managed to acquire net new assets in 2009, all centres experienced outflows of assets in 2010.

Hong Kong was the strongest performer amongst wealth management centres in terms of cumulated IMVs, and apart from Singapore it was the only centre with positive cumulative NNA between 2009 and 2014 (USD 285 billion in total, representing an increase of 108 per cent in relation to IMV as at the end of 2008). The change in NNA was positive in five out of the six years.

Singapore in comparison acquired USD 40 billion of NNA in the same period, which was 11 per cent of IMV as at the end of 2008.

Four centres achieved three years of positive NNAs: Singapore, Switzerland, the United States and the United Arab Emirates. These centres all managed to acquire net asset inflows in 2011, 2012 and 2014, indicating a recovery in attractiveness after the financial crisis. For all four centres 2013 was a negative year, when discussions around tax transparency reached a peak and Switzerland entered into tax treaties with the United Kingdom and Austria. Over the whole period under observation, the United States lost approximately USD 10 billion, one per cent of its IMV level at the end of 2008. Switzerland experienced an outflow of USD 135 billion (seven per cent) and the United Arab Emirates lost USD 9 billion (43 per cent, given its low level of IMV in 2008) due mainly to a weak performance in 2013.

Overall, the majority of wealth management centres experienced negative cumulative NNA relative to IMVs in 2008: the falls ranged between one per cent for the United States and 75 per cent for Panama & the Caribbean.

Figure 4. Annual estimates of net new assets in leading wealth management centres (in USD billion and percentage change)

Wealth management centre	Measures	2009	2010	2011	2012	2013	2014A	∑ 2009 – 20104
United States	NNA absolute	-200	-105	140	70	-25	110	-10
	NNA (% of previous year's IMV)	-18%	-10%	14%	6%	-2%	8%	-1%
Hong Kong	NNA absolute	25	-5	25	80	75	85	285
	NNA (% of previous year's IMV)	9%	-2%	8%	24%	17%	16%	108%
Singapore	NNA absolute	25	-40	-5	-10	40	30	40
	NNA (% of previous year's IMV)	7%	-9%	-1%	-2%	11%	7%	11%
Switzerland	NNA absolute	-170	-50	45	120	-105	25	-135
	NNA (% of previous year's IMV)	-10%	-3%	3%	7%	-5%	1%	-7%
United Arab Emirates	NNA absolute	-3	-1	0	4	-9	1	-8
	NNA (% of previous year's IMV)	-16%	-6%	0%	24%	-41%	7%	-43%
Bahrain	NNA absolute	10	-20	-17	-2	4	-3	-28
	NNA (% of previous year's IMV)	14%	-22%	-23%	-4%	7%	-5%	-39%
Luxembourg	NNA absolute	-25	-40	-5	20	40	-20	-30
	NNA (% of previous year's IMV)	-9%	-15%	-2%	9%	16%	-7%	-11%
United Kingdom	NNA absolute	-10	-65	-85	80	-55	-165	-300
	NNA (% of previous year's IMV)	-1%	-4%	-5%	5%	-3%	-10%	-21%
Panama & Caribbean	NNA absolute	-295	-50	-495	-250	-25	-210	-1,325
	NNA (% of previous year's IMV)	-17%	-3%	-29%	-21%	-2%	-19%	-75%
Other	NNA absolute	5	-220	-95	-40	-135	-75	-560
	NNA (% of previous year's IMV)	0%	-11%	-5%	-2%	-8%	-4%	-30%
Total	NNA absolute	-638	-596	-492	72	-195	-222	-2,071
	NNA (% of previous year's IMV)	-7%	-7%	-5%	1%	-2%	-2%	-23%

Source: Analysis based on Deloitte Wealth Management Database

A Annualised

Other: Austria, Belgium, Channel Islands, Germany, Ireland, Liechtenstein, Monaco

The sequence in this overview corresponds to the ranking of international wealth management centres in 2014 in terms of NNA.
NNA values provided in USD billion.

Interim conclusion

We can summarise the main observations about wealth management centres as follows.

- **Trend to onshore.** While global wealth is increasing[6], IMV booked in leading international wealth management centres is growing at a slower rate (see Figure 2). This indicates that private clients have withdrawn assets from their international accounts and also booked newly-generated wealth with domestic wealth managers.

- **Strong market performance compensates for a negative NNA trend.** Strong performance of the financial markets after 2008 offset the effect on IMV of negative NNA. As a result, many international wealth management centres were managing a bigger IMV in 2014 than in 2008.

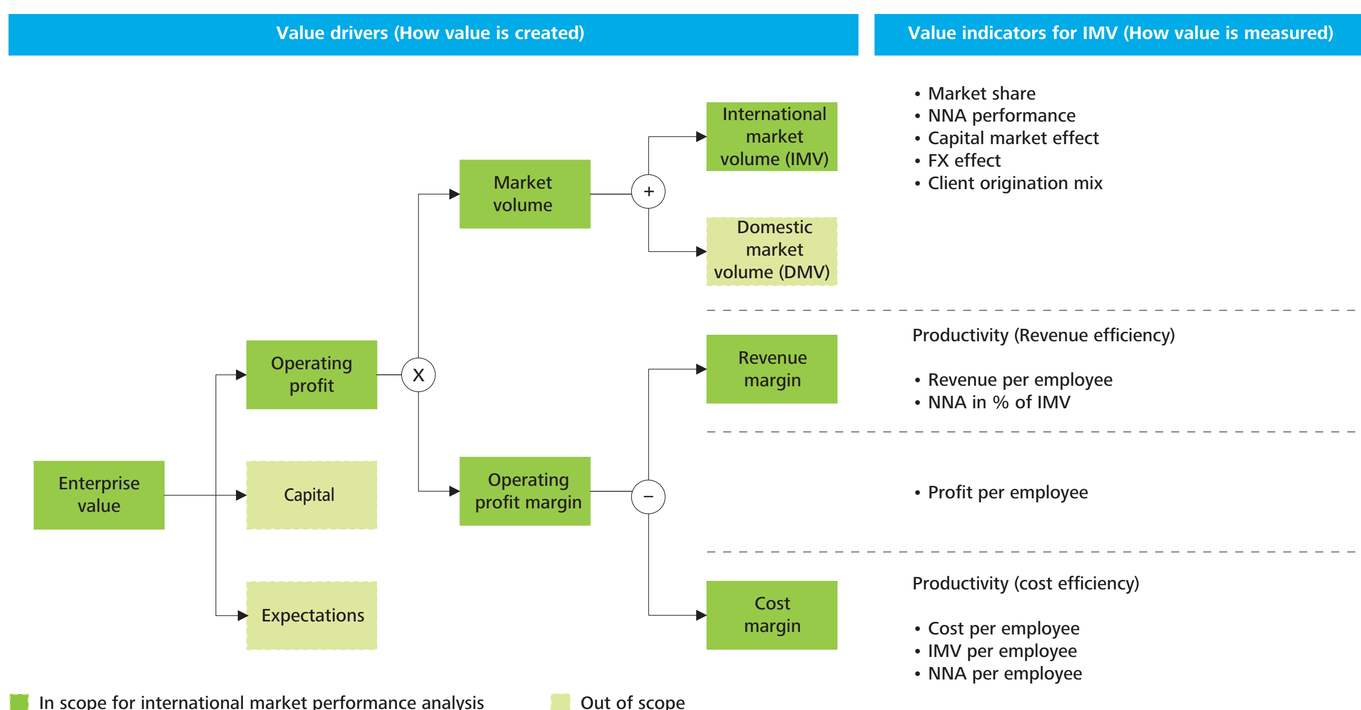
- **Attractiveness of smaller European wealth management centres declining.** The market share of the 'Other' wealth management centres fell between 2008 and 2014, whereas the market share of the leading wealth management centres, in particular Switzerland and United Kingdom, increased.

Against this backdrop, competition has intensified. More important than ever international wealth management providers need to provide state-of-the-art services, translating into solid returns after fees and taxes. Even for leading centres with a strong reputation, client relationship management and discretion are no longer sufficient for success in today's international wealth management market.

International market performance: Switzerland

When taking a look on the performance of a wealth management provider, there are two value drivers that contribute to total operating profit: market volume (measured by AMA) and operating profit margin. This provides a basis for analysing Switzerland's performance as the leading international private wealth management centre. Specific value indicators, as shown in the framework in Figure 5, can be used to measure how overall performance has been impacted over the period.

Figure 5. Wealth management value tree framework[7]

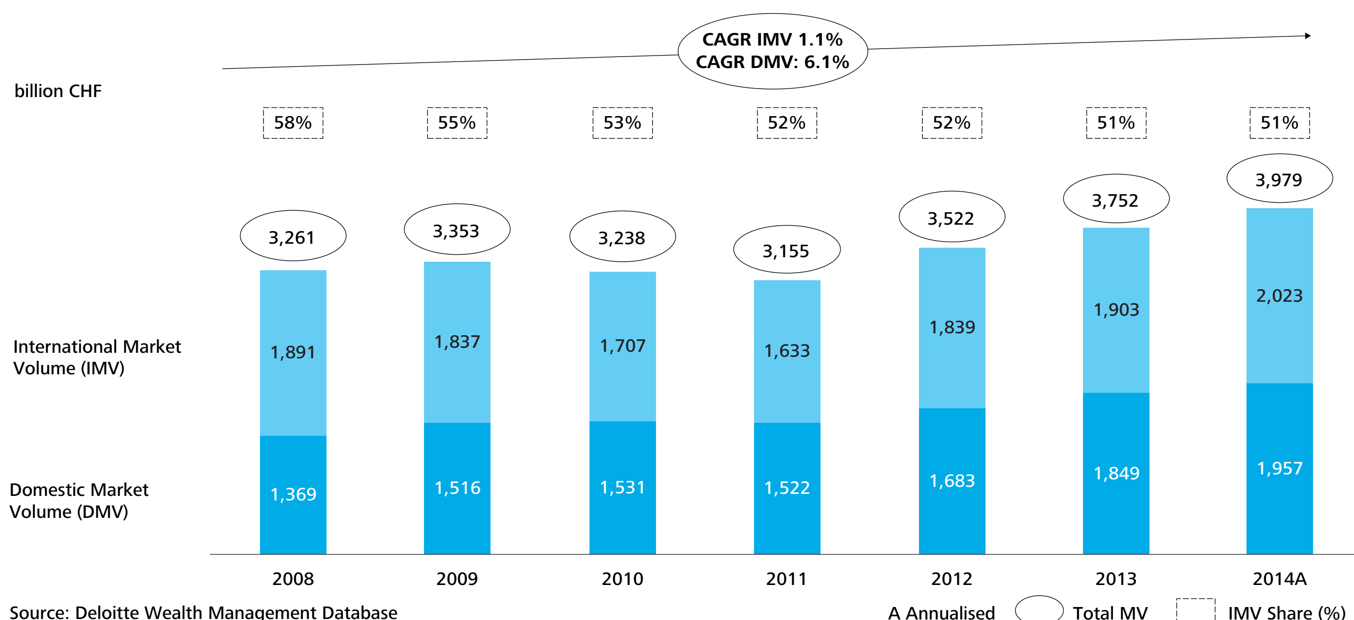


Note: This framework shows only partially the value drivers and key performance indicators of the entire Deloitte Universal Banking Value Map™, but it is sufficient for the purpose of this report.

International market volume

In terms of total market volume, Switzerland has still not reached pre-crisis levels, when client assets totalled CHF 4,168 billion in 2007. However in recent years, Switzerland has regained much of the lost total market volume. After a decrease in total client assets to CHF 3,155 billion in 2011, there has been a recovery to CHF 3,979 billion in 2014, an increase of 25 per cent (Figure 6).

Figure 6. Development of total market volume for Switzerland (in CHF billion).



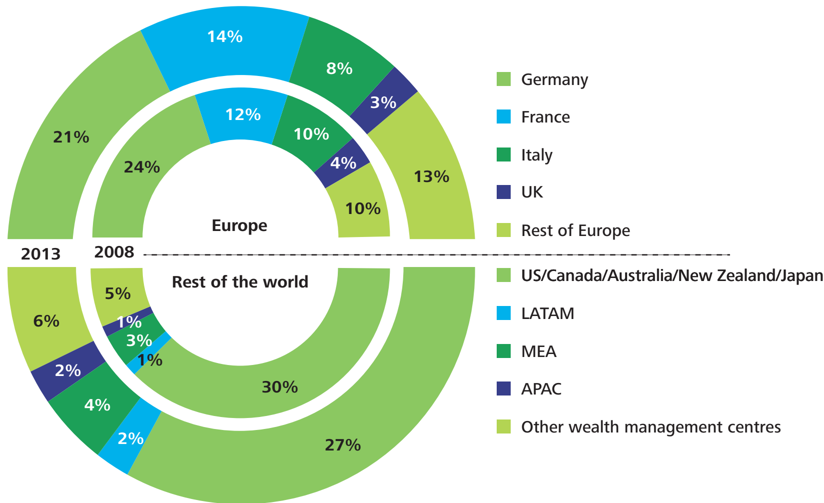
Source: Deloitte Wealth Management Database

With regard to the international market volume, the trend is similar. Over the last four years assets from international clients increased to CHF 2,023 billion; this represents an average annual growth rate of 7.4 per cent. Nevertheless, when analysing the relative proportions of international and domestic market volume, a different picture emerges. International assets accounted for 58 per cent of the total in 2008, but only 51 per cent in 2014. The decline in international assets as a proportion of total assets is consistent with developments described previously in this report. The emerging trend to book onshore (including repatriation) together with increasing competition between international wealth management centres are resulting in a weaker growth in IMV compared to the DMV. These trends are driven mainly by continuing pressure towards tax transparency (e.g., FATCA and OECD AIE), banking secrecy as a declining Unique Selling Proposition (USP) and loss in reputation through lawsuits against Swiss banks and banking employees. Favourable economic growth and financial market developments have led meanwhile to a strong increase in the domestic market volume, which was unaffected by the specific trends for the international business.

Client origination mix

A key question for the Switzerland Wealth Management Centre and for Swiss banks is: Where will growth come from in the future? Analysis of the origination of client assets in 2014 shows that European clients still account for more than half of the assets booked in Switzerland. This is surprising, given the erosion of bank secrecy, as well as incidents of theft of client data in recent years, targeted in particular at European clients. Within Europe, client assets from Germany still represent the largest proportion – with 21 per cent of total Switzerland's IMV in 2013. Client assets from Rest of Europe (mainly Eastern European countries) increased by three percentage points to 13 per cent of the total in 2013. Outside Europe, assets of clients in the USA, Canada, Australia, New Zealand and Japan are still the largest proportion (27 per cent of total Switzerland's IMV in 2013), nevertheless with a decreasing importance. Assets from emerging market regions, such as LATAM, MEA and APAC increased, but these regions only accounted for less than 10 per cent of the total IMV booked in Switzerland.

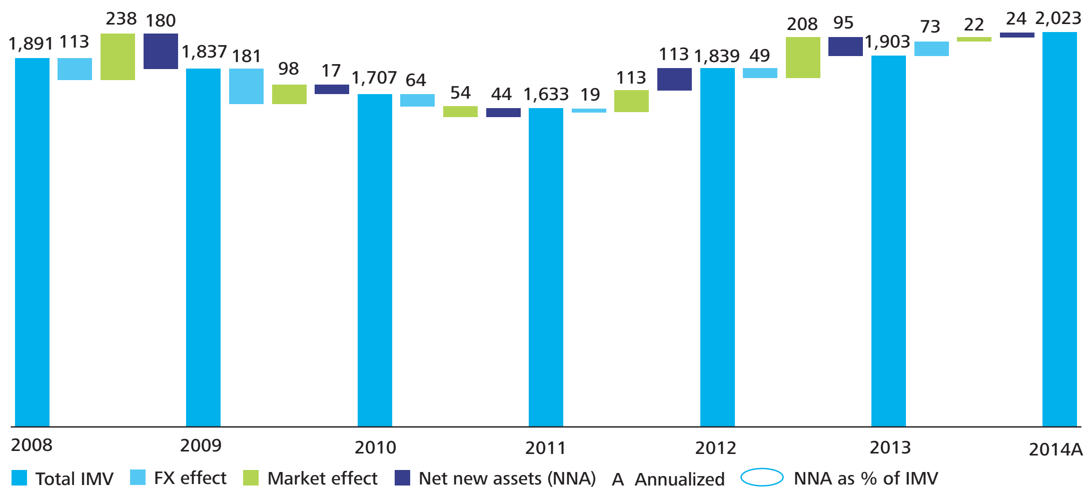
Figure 7. Estimation of international client assets origination in Switzerland



Source: Deloitte Wealth Management Database

Because wealth management clients seek to diversify their investments, there will always be a need for international banking. Hence, despite a clear trend towards booking assets onshore, there will always be clients looking for a wealth management centre to suit their needs. A question for Switzerland is: how does it compare with other centres in attracting those clients? The answer is that its performance has been relatively weak, when comparing the net new assets of the different wealth centres. Despite its leading position and larger IMV in 2014 compared to 2008, Switzerland recorded a net outflow in the period. Figure 8 shows the annual change in IMV, and the underlying drivers of the change: net new assets (NNA), and the effects of the capital market performance and foreign exchange rate changes. Over the past six years, IMV of the Switzerland wealth management centre was affected negatively by foreign currency effects, which reduced the CHF asset base by 352 billion. At the same time the capital market effect increased IMV by CHF 625 billion, but NNA have been negative, with a total net outflow of CHF 141 billion.

Figure 8. Changes in IMV: net new assets (NNA), foreign exchange (FX) and market effect (in CHF billion)



Source: Deloitte Wealth Management Database

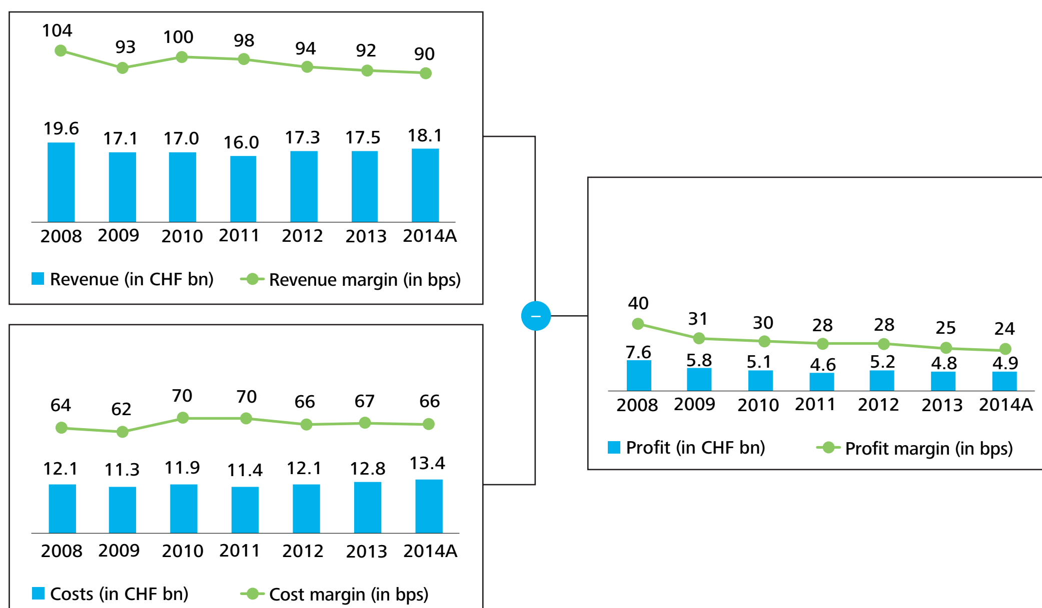
The effects of strong market performance and foreign exchange rates are not surprising, given the expansionary monetary policies of central banks compared to the Swiss National Bank during the period, but the decrease in net new assets might be. However, there is no single cause of this decline; rather, it is due to a combination of several reasons, the most significant of which are:

- Increased competition from emerging wealth management centres, reducing Switzerland's overall NNA share.
- Revised and improved service offerings of onshore providers, reducing the global NNA base.
- Increased onshore presence of Swiss wealth management providers, reducing Switzerland's NNA base.
- Restricted travelling by Swiss-based relationship managers, especially in Europe and North America, limiting their ability to attract new assets, outflow of undeclared assets, as well as tax authority payments as part of a declaration process.
- Reputational damage, driven by strong foreign political pressure, lawsuits against Swiss banks and their employees and some negative press coverage of the Swiss Wealth Management Centre.

Profitability of international business

After reaching a low point of roughly CHF 16.0 billion in 2011, the Swiss Wealth Management Centre increased its total annual revenues from international clients to CHF 18.1 billion in 2014 (see Figure 9 below).

Figure 9. Profitability from international business



Source: Deloitte Wealth Management Database

The main reason for this increase has been a growing client asset volume as a result of strong capital market performance (see Figure 8). When analysing the return on assets (revenue margin) in the industry it can be seen that it has been shrinking over time. The revenue margin has fallen from 104 bps in 2008 to an estimated level of 90 bps in 2014. This can be explained by several factors:

- **Increasing competition** with other international centres, as well as on-shore service providers within the client's jurisdiction offering a real alternative to international wealth centres.

- **Shifting client asset mix:** the number of wealth management clients within the 'affluent segment' has shrunk, due mainly to changes in tax transparency and privacy – within this segment high revenue margins have traditionally been obtained.

- **Unfavourable currency basket:** revenues generated on foreign assets have been affected by the increasing strength of the Swiss franc (see Figure 8 for FX effect), and going forward, this factor will be of even greater importance as a result of the recent abandonment by the SNB of the CHF/EUR cap.

- Providers have been **struggling** to increase the **'price realisation rate'** through a more efficient management of special tariff terms. Moreover, some providers failed to **align** the pricing strategy with its client & market strategy as well as **consider** the increasing regulatory effort into the pricing scheme.

- Swiss wealth managers have **failed to compensate** for the loss of these revenues **through product and service innovation** to create new revenue streams.

Over the period 2008 – 2014, the **annual cost base** of Swiss private wealth management service providers rose by 11 per cent to CHF 13.4 billion. The increase since 2011 has been over 17 per cent. This rise in costs is attributable to the following factors:

- **Meeting additional regulatory requirements**, making the provision of any kind of service more expensive across the entire value chain, as a result of additional regulatory and compliance personnel and corresponding increase of number of regulatory projects.

- **Front office costs** – which represent almost half of the total cost base – increased slightly, mainly due to the greater regulatory burden within front office processes when interacting with clients.

- **Extensive remediation programmes** to clean up legacies from the past have escalated costs.

- The cost of **new investments** to **modernise** the industry, in areas such as customer experience, digitization and analytics.

To offset these increases in cost, wealth management executives have been targeting improvements in the efficiency of operations, from front to back office. As a result, while the IMV of the Switzerland Wealth Management Centre has been increasing since 2011, operating costs have been rising by a smaller proportional amount. Hence the cost margin decreased over the past years to an estimated 66 bps in 2014.

Revenues which did not grow proportionally with the increasing IMV and slightly rising costs have impacted profits significantly. Total profits are expected to be less than CHF 5 billion in 2014, and the profit margin is expected to fall to 24 bps in 2014, compared to 40 bps in 2008. The subsequent paragraph will further elaborate this profitability decrease when selected productivity indicators are applied.

Productivity in international business

During the analysed period, the Swiss Wealth Management Centre increased the average annual revenue per employee to an expected level of CHF 0.51 million in 2014 (see Figure 10), an increase of more than 25 per cent since 2009. This has been mainly influenced by:

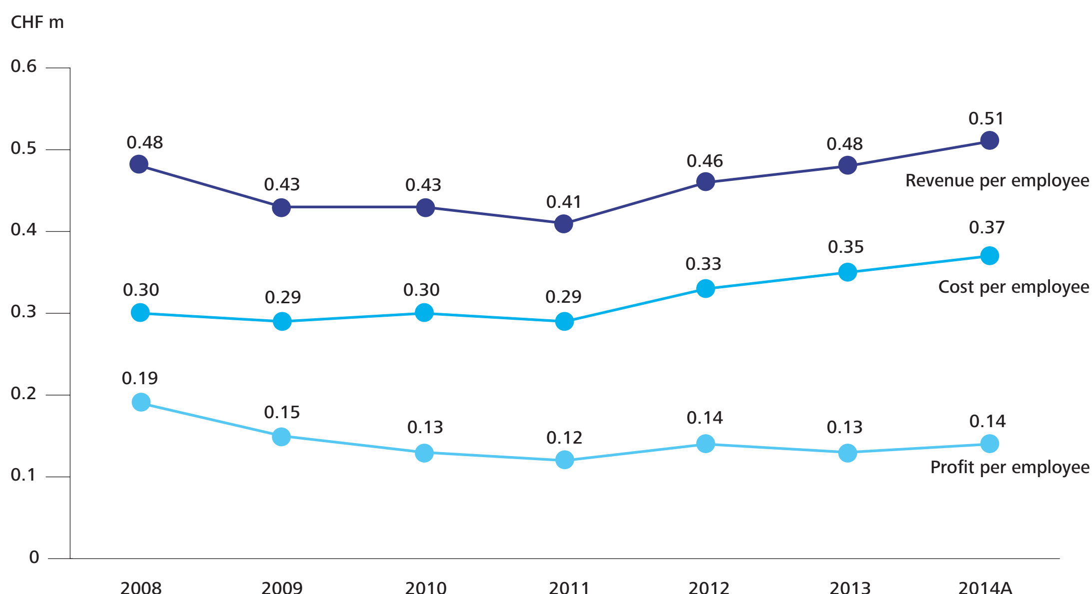
- an **increase in IMV,** which was a key contributor
- the fact that Swiss wealth managers have been starting to **rationalise** their **way of operating** and as a result are able to provide the same level of service with fewer employees

However, the improvements in productivity were offset by an even greater proportional increase of annual cost per employee: in 2014, the average total cost per employee is expected to reach CHF 0.37m. The following factors were driving this upward trend:

- the above mentioned rationalisation **efforts** of Swiss private banks were **not sufficient** enough to absorb the overall increase of the cost base
- Swiss private banks are still struggling to link **remuneration** with effective business performance

The net result has been stagnation in profits per employee (see Figure 10), which has been varying between CHF 0.12 million and CHF 0.15 million over the past 5 years.

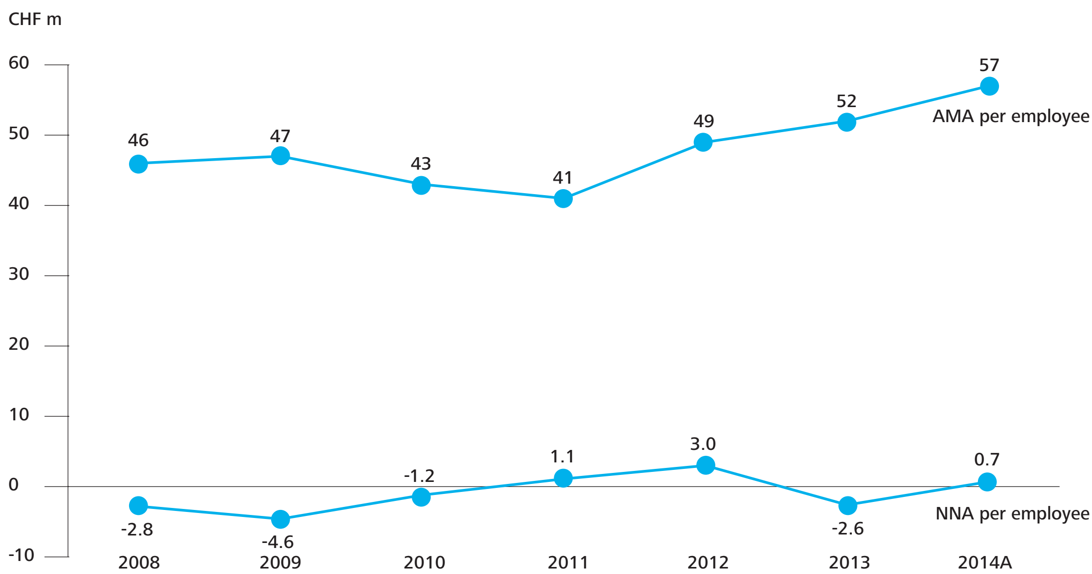
Figure 10. Productivity per employee



Source: Deloitte Wealth Management Database

When analysing changes in assets under management and administration and NNA per employee, a similar picture emerges. The industry was able to increase the AMA per employee to a peak level of CHF 57 million in 2014, due to the increase of the total international market volume and a reduction in the work force. This resulted in a bigger proportional increase in AMA per employee compared to growth in IMV (see Figure 11).

Figure 11. AMA and NNA per employee



Source: Deloitte Wealth Management Database

NNAs have varied between net inflows and net outflows each year, and there was an overall NNA outflow of CHF 6.4 million per employee between 2008 and 2014. This was due to the following reasons.

- One-off payments by clients as part of the declaration process. In Germany alone, the number of applicants for voluntary disclosure rose from 26,000 in 2013 to 40,000 in 2014. Applying an average of CHF 65,000 per voluntary disclosure, this equals a total transfer of more than CHF 2.5 billion.[8]

- The size of the work force was not reduced sufficiently in response to the changing market environment.

- Switzerland may be losing its attraction for certain traditional clients, who have adapted to the new era of tax compliance with a tendency to book assets onshore.

- Nevertheless, in the long run, the Switzerland Wealth Management Centre needs to demonstrate its ability to attract NNAs from abroad, as this will be a key to its continuing success.

Interim conclusion

- In the period 2008 – 2014, Switzerland's international market volume increased by seven per cent to CHF 2,023 billion. Over the same period the proportion of international business in its total market volume (compared to domestic market volume) fell by seven percentage points to 51 per cent. The main driver of growth in IMV was a strong financial market performance, which was offset to some extent by a negative FX effect and a decrease in NNA.

- The client asset mix (measured by country of client residence) remains largely unchanged except for a lower proportion of clients from Germany, the UK and Italy. The proportion of clients from emerging market countries (Eastern Europe, Asia, Latin America and Middle East/ Africa) has been increasing, although in absolute terms these markets are still considerably small.

- Despite these positive market developments, profitability fell by 40 per cent, driven by difficulties in both revenue realisation and cost management.

It will be a challenge for Swiss institutions to return to pre-crisis profit margins for cross-border banking, especially when considering that the majority of revenues are in foreign currencies while costs are mainly in Swiss francs. In addition exchange rate movements have been unfavourable over a long period of time. Recent dramatic change in value of the Swiss Franc will presumably affect 2015 profitability quite severely.

Paths to value: the case for exploring other strategic choices

International market players in Switzerland face the challenge of restoring both strong growth in their business as well as increasing their profitability, by improving their operational performance and attracting new client assets. In order to find their 'path to value' some strategic changes may be necessary. However not all wealth management service providers need the same agenda for change. They must first assess their current position, and then target an end point on the path to value by defining goals for business performance improvement. Deloitte has developed a two-dimensional framework that combines client asset volume and operating profit in order to identify four generic strategies (see the four quadrants in Figure 12).

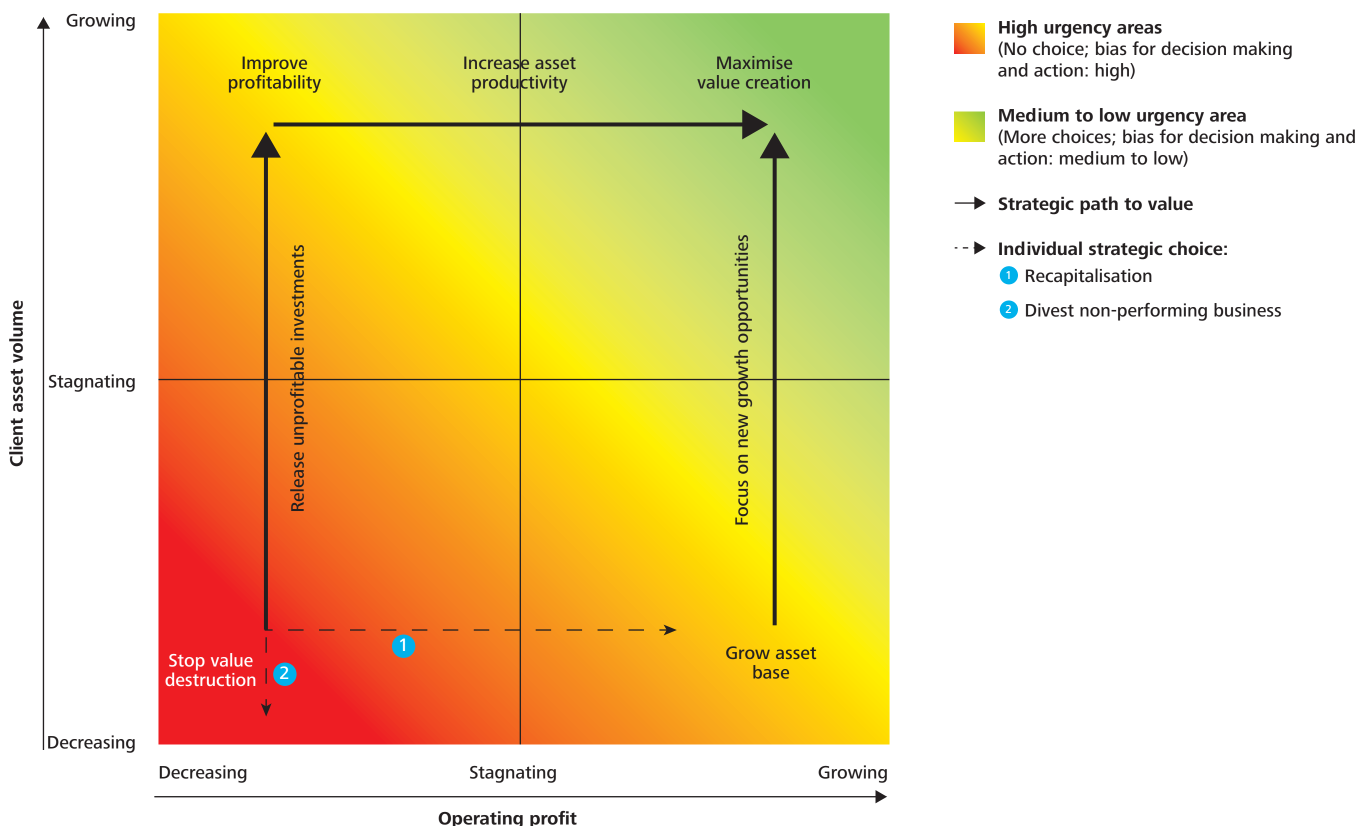
Stop Value Destruction. Approximately 30 per cent[9] of Swiss-based market players in scope are currently positioned in this quadrant, with a falling client asset growth rate combined with a shrinking profit margin. The strategy here should aim at stopping destruction in value.

Improve Profitability. Roughly 30 per cent of Swiss wealth managers face the challenge of a positive client asset growth rate but a declining operating profit margin. Here the focus should be on improving profitability.

Grow Asset Base. Nearly 15 per cent of Swiss private banking service providers have a favourable operating profit margin but a declining client asset base. The strategic focus should be on growing the client asset base.

Maximise Value Creation. Around 25 per cent of Swiss wealth managers are in the position of growth in both client assets and operating profit margin. They should focus on maximisation of value creation.

Figure 12. Path to value map for international private wealth management



By applying this framework over a three-year time horizon, three different paths to value can be identified, as set out in the following table.

Figure 13. Strategic choices for value creation

Path to value	Strategic choices	Short definition
Release unprofitable investments	Divest non-performing businesses	Partial or full disposal of a business (client segments, geographical market, corresponding product/services and/or associated corporate resources) through sale, closure or bankruptcy.
	Restructure the business	Structural and fundamental change to how the business delivers value to its customers and markets, on an enterprise-wide, business unit or functional level. A distinction can be made between Business Model Restructuring (BMR) and Operating Model Restructuring (OMR). The former aims at transforming the business model, fundamental strategy or value proposition of a banking institution (including considering the agreement/dissolution to strategic alliances).[10] The latter seeks to rejuvenate the underlying functional delivery model, the operating governance and organisation structure, and/or the business process.[11]
	Recapitalisation	Recapitalisation of the business through either issuance of new equity or certain hybrid debt instruments.[12]
Increase client asset productivity	Improve managerial effectiveness and strategy execution capability	Enhance capabilities in the following areas: governance and change management, organisation and people/talent, business performance reporting & intervention as well as risk management and regulatory compliance.
	Focus on sustainable operating cost reduction	Reduce operating expenses through the following: Optimise the business architecture through alignment of business and operating model with its capital model (capital structure and liquidity) and its tax model (entity structure, transfer pricing, service level agreements). Simplify the organisation through application of lean management principles as well as rationalise the IT infrastructure. Finally improve control over spending, including sourcing and procurement and the management of accounts payable and payment settlement.
	Refine business and operating model	Fine tune the business and operating model to be more innovative in how to generate income and increase efficiency.
Focus on new growth opportunities	Grow client asset base	This can be done either organically or inorganically. Organic growth would include improvements in key activities such as increasing pricing realisation rates as well as the effectiveness of marketing and the sales force. Moreover it comprises the best use of strategic concepts such as client experience and the appropriate mix of client interaction channels. An organic growth strategy also considers product portfolio innovation and/or rationalisation. In terms of inorganic growth, the core business may be expanded through buying client assets.
	Invest to grow successful business models	Further grow successful business model through dedicated capital investment, maximising profit from existing set of products, customers, channels and geographic markets.
	Expand into other markets and products/services	Utilise existing assets and capabilities of the firm to stretch the expand the boundaries of the existing business, either by introducing new products or services in existing markets and/or offer existing products/ services in new markets.

The interests of shareholders and management play a role in determining which path to value a wealth management provider should pursue. This is because shareholder interests include their financial needs and objectives, risk tolerance, whilst also retaining financial and operational control themselves.

Whatever approach is considered in order to realise value, extensive rigorous qualitative and quantitative analysis of the current situation, together with potential strategic choices and its impact on business/operating, as well as tax and capital model, is essential. A review of strategic choices can lead private wealth management companies to find the right approach in today's complex conditions and continually-evolving business environment. While Switzerland is still a favoured international wealth management centre, today's regulatory restrictions, client preferences and challenges to profitability call for a strategic re-assessment of how to create value.

Conclusion

The analysis of the performance of the leading wealth management centres and their rankings, in terms of international market volume (IMV) and net new asset (NNA) production reveals an industry which is struggling. Overall, the growth in IMV of international wealth management centres has not matched the strong performance of the financial markets or global economic development over the period 2008-2014. However, not all wealth management centres are suffering. The report, in fact, identifies winners and losers. While Switzerland remains the world's most competitive centre in terms of IMV, other locations are catching up rapidly – especially Hong Kong and the USA – whereas Panama & the Caribbean is losing ground. The analysis of net new assets acquisition reveals that most centres are struggling to attract new client assets: 2012 was the only year in the period 2008 – 2014 with positive NNA.

These findings clearly show that the international wealth management industry is undergoing unprecedented changes due to increased regulatory pressures and increased scrutiny on tax transparency. This has led to a regularisation of assets and their repatriation, as well as the change into non-bankable assets.

Even the leading wealth management centre, Switzerland, could not withdraw from those driving factors: Although international market volume grew in Switzerland, it lost market share relative to the domestic market. Meanwhile, profit margins for international business in Switzerland fell by 40 per cent in the period under review, driven by declining revenue margins and stalling cost margins. On the productivity side, the revenue and costs per employee rose, netting each other out resulting in a constant profit per employee.

To address these challenges, it is ever more important for wealth management service providers to identify a tailored strategy that will drive improvements in productivity and business performance. The main levers are releasing unprofitable investments, increasing client asset productivity and focusing on new growth opportunities.

Whilst each wealth management service provider can identify its paths to value, its success also depends on the macroeconomic environment. To ensure the continued success of wealth management centres, regulators and politicians need to promote access to international wealth management markets by adopting appropriate regulations. Wealth management service providers also require access to skilled employees, efficient market places (such as exchanges) and other financial service providers with which they can collaborate to provide the superior services necessary for attracting international and mobile assets. How these factors compare across wealth management centres were assessed in our 2013 report 'The Deloitte Wealth Management Centre Ranking 2013 – Measuring competitiveness of international private wealth management in Switzerland'.

The international wealth management industry will only remain successful if both, the individual institute and the legislator make the right decisions and implement them. This was a key finding of our 2013 report. Based on a thorough understanding of the influencing factors, decision makers will be equipped to improve competitiveness and productivity thereby allowing value to be captured.

Appendix

A1. Scope of the research

- **International wealth management centres** defined: On the basis of 'The Deloitte Wealth Management Centre Ranking 2013' report, international wealth management centres are defined in this report as countries or jurisdictions specialising in and attracting a large number of international private clients. The key feature of this definition is the provision on a significant scale of private banking/wealth management services to clients with foreign domiciles. Consequently, a large proportion of client assets in wealth management centres are cross-border assets, which are the focal point of this report; and client assets are defined as the sum of private client market volume.

- **Asset classes** included: Bank accounts (checking and saving accounts); debt and equity securities; derivatives and partial assets held in fiduciary structures such as companies and trusts. This is not limited to millionaire households, but includes all households. Non-banking assets such as business equity, primary residences and art are excluded.

- **Market players** considered: Various types of institutions provide wealth management services within the Swiss financial centre. The (listed) private banks, partnership private banks and a large proportion of the foreign banks focus almost exclusively on wealth management services; and universal, cantonal and regional banks serve wealthy private clients through dedicated wealth management divisions or departments. Non-banks, such as family offices and stand-alone asset managers, also provide wealth management services and contribute on a significant scale to value creation in the Swiss international wealth management centre. However, non-banks are outside the scope of this report.

A2. Research methodology

- The research method is the same as for the 2013 Wealth Management Centre Ranking report. The core of our method is a proprietary **Deloitte private banking database and analytics engine**, using raw data and financial figures of third party data providers such as the Bank for International Settlements (BIS), the International Monetary Fund (IMF), Euromoney, the Swiss Banking Association (SBA) and other relevant industry reports.

- Against this backdrop the study measures the volume of private client assets at each centre in the years 2008 – 2014 (E) and the changes that have occurred in this period. The **2014 figures** in this report are estimated, based on the most recent figures available at the time of writing. The report also estimates the net new asset production per wealth management centre in the same period of time. This approach provides direct comparison with the results in our 2013 study, although there is some minor inconsistency in the figures arising from changes in the source data of the third party data providers.

- For Switzerland, the report looks at the **different factors contributing to changes** in international market volume, such as client origination mix, financial market performance, the foreign exchange (FX) effect and net new asset production. This analysis depends on the chosen model portfolios of private clients, so the absolute NNA figures are indicative only. In addition, various performance and productivity measures are analysed from Deloitte.

- The final section of the report sets out a **path to value** agenda for Swiss-based wealth management providers. In writing this section we have drawn on the knowledge of Deloitte experts in Switzerland and our member firms throughout the world, various industry experts, and a large number of Deloitte project findings.

A3. Ranking by total IMV and NNA development

Figure 14. International market volume ranking and development (IMV in USD billion)

Wealth management centre	Measures	2009	2010	2011	2012	2013	2014A	Overall 2008-2014
Switzerland	Rank	1	1	1	1	1	1	1
	Δ IMV absolute	-22	45	-77	276	124	-94	252
	Δ IMV % (previous year)	-1%	3%	-4%	16%	6%	-4%	11%
United Kingdom	Rank	3	3	2	2	2	2	2
	Δ IMV absolute	153	29	-116	151	65	-90	193
	Δ IMV % (previous year)	11%	2%	-7%	10%	4%	-5%	10%
United States	Rank	4	4	4	3	3	3	4
	Δ IMV absolute	-89	-61	117	121	100	122	310
	Δ IMV % (previous year)	-8%	-6%	12%	11%	8%	9%	20%
Panama & Caribbean	Rank	2	2	3	4	4	4	3
	Δ IMV absolute	-89	56	-527	-183	61	-158	-840
	Δ IMV % (previous year)	-5%	3%	-30%	-15%	6%	-14%	-49%
Hong Kong	Rank	6	6	6	5	5	5	6
	Δ IMV absolute	48	8	19	94	100	106	374
	Δ IMV % (previous year)	18%	2%	6%	28%	23%	20%	119%
Singapore	Rank	5	5	5	6	6	6	6
	Δ IMV absolute	58	-17	-16	-45	65	49	94
	Δ IMV % (previous year)	15%	-4%	-4%	-11%	18%	12%	19%
Luxembourg	Rank	7	7	7	7	7	7	7
	Δ IMV absolute	3	-49	-10	33	59	-14	22
	Δ IMV % (previous year)	1%	-18%	-4%	15%	24%	-5%	6%
Bahrain	Rank	8	8	8	8	8	8	8
	Δ IMV absolute	17	-15	-18	0	7	-1	-9
	Δ IMV % (previous year)	23%	-17%	-24%	0%	13%	-1%	-12%
United Arab Emirates	Rank	9	9	9	9	9	9	9
	Δ IMV absolute	-1	0	0	5	-8	2	-3
	Δ IMV % (previous year)	-7%	-2%	0%	28%	-36%	11%	-21%
Other	Δ IMV absolute	49	-165	-132	48	16	-24	-209
	Δ IMV % (previous year)	3%	-9%	-7%	3%	1%	-1%	-8%
Total	Δ IMV absolute	127	-170	-760	500	588	-101	184
	Δ IMV % (previous year)	1%	-2%	-8%	6%	7%	-1%	2%

Winning centre | Regressing centre | Losing centre

Source: Deloitte analysis 2015, based on Deloitte Wealth Management Database
Δ IMV absolute: Change from previous year consisting of NNA, market performance and FX effect
Δ IMV %: Δ IMV as percentage of IMV at the end of previous year
Other: Austria, Belgium, Channel Islands, Germany, Ireland, Liechtenstein, Monaco
The sequence in this overview corresponds to the ranking of international wealth management centres in 2014 in terms of IMV

Figure 15. Estimated net new asset ranking and development (NNA in USD billion)

Wealth management centre	Measures	2009	2010	2011	2012	2013	2014A	Overall 2008-2014
United States	Rank	8	9	1	4	6	1	4
	NNA absolute	-200	-105	140	70	-25	110	-10
	NNA (% of previous year's IMV)	-18%	-10%	14%	6%	-2%	8%	-1%
Hong Kong	Rank	1	2	3	2	1	2	1
	NNA absolute	25	-5	25	80	75	85	285
	NNA (% of previous year's IMV)	9%	-2%	8%	24%	17%	16%	108%
Singapore	Rank	2	4	6	8	2	3	2
	NNA absolute	25	-40	-5	-10	40	30	40
	NNA (% of previous year's IMV)	7%	-9%	-1%	-2%	11%	7%	11%
Switzerland	Rank	7	6	2	1	9	4	7
	NNA absolute	-170	-50	45	120	-105	25	-135
	NNA (% of previous year's IMV)	-10%	-3%	3%	7%	-5%	1%	-7%
United Arab Emirates	Rank	4	1	4	6	5	5	3
	NNA absolute	-3	-1	0	4	-9	1	-8
	NNA (% of previous year's IMV)	-16%	-6%	0%	24%	-41%	7%	-43%
Bahrain	Rank	3	3	7	7	4	6	5
	NNA absolute	10	-20	-17	-2	4	-3	-28
	NNA (% of previous year's IMV)	14%	-22%	-23%	-4%	7%	-5%	-39%
Luxembourg	Rank	6	5	5	5	3	7	6
	NNA absolute	-25	-40	-5	20	40	-20	-30
	NNA (% of previous year's IMV)	-9%	-15%	-2%	9%	16%	-7%	-11%
United Kingdom	Rank	5	8	8	3	8	8	8
	NNA absolute	-10	-65	-85	80	-55	-165	-300
	NNA (% of previous year's IMV)	-1%	-4%	-5%	5%	-3%	-10%	-21%
Panama & Caribbean	Rank	9	7	9	9	7	9	9
	NNA absolute	-295	-50	-495	-250	-25	-210	-1,325
	NNA (% of previous year's IMV)	-17%	-3%	-29%	-21%	-2%	-19%	-75%
Other	NNA absolute	5	-220	-95	-40	-135	-75	-560
	NNA (% of previous year's IMV)	0%	-11%	-5%	-2%	-8%	-4%	-30%
Total	NNA absolute	-638	-596	-492	72	-195	-222	-2,071
	NNA (% of previous year's IMV)	-7%	-7%	-5%	1%	-2%	-2%	-23%

Winning centre | Regressing centre | Losing centre

Source: Deloitte analysis 2015, based on Deloitte wealth management database
Δ IMV absolute: Change from previous year consisting of NNA, market performance and FX effect
Δ IMV %: Δ IMV as percentage of IMV at the end of previous year
Other: Austria, Belgium, Channel Islands, Germany, Ireland, Liechtenstein, Monaco
The sequence in this overview corresponds to the ranking of international wealth management centres in 2014 in terms of NNA

A4. Abbreviations

AMA	Asset under Management and Administration
APAC	Asia-Pacific
Bn	Billion
CAGR	Compound Annual Growth Rate
CHF	Swiss Francs
DMV	Domestic Market Volume
FATCA	Foreign Account Tax Compliance Act
FDIC	Federal Deposit Insurance Corporation
FX	Foreign Exchange
GDP	Gross Domestic Product
IMV	International Market Volume
LATAM	Latin America
MEA	Middle East and Africa
NNA	Net New Assets
OECD	Organisation for Economic Cooperation and Development
USD	US Dollar
USP	Unique Selling Proposition
Tr	Trillion

A5 Notes

1 Differences in the reported figures compared to the 2013 Report are due to retrospectively adjusted data underlying the model. Also, the composition of 'Other' wealth management centres is now exclusively focused on European centres and contains centres not included in the 2013 Report.

2 Bloomberg, 2015.

3 World Bank, 2015. International Monetary Fund, 2015.

4 World Wealth Report 2014, Capgemini/RBC Wealth Management, 2014.

5 Bank of International Settlement, 2014.

6 See Deloitte "The next decade in Global Wealth 2011" and the Deloitte "2015 Private Wealth Outlook".

7 Deloitte Universal Banking Value Map™.

8 Länderfinanzministerien, 2015. Deutsche Presse Agentur, 2015.

9 Deloitte Research 2015. Based on Deloitte Private Banking Database (n=120).

10 Business model dimensions: market & customers, products & experience, value creation model.

11 Operating model dimensions: Governance model and decision rights, product/service development and management capabilities, product manufacturing & distribution capabilities, customer management/go to market capabilities, service delivery model/centre of excellence (COE), key performance indicators.

12 In a recovery situation, FINMA accepts only recovery plans which ensure fulfilment of capital adequacy requirements. In those cases, only issuance of new equity (after writing-off of existing equity) and/ or of certain hybrid or debt instruments (loss absorbing capital such as CoCos) is acceptable.

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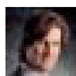

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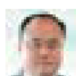

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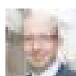

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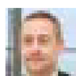

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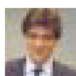

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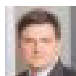

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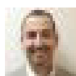

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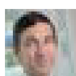

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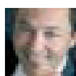

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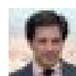

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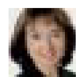

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