

# THE FUTURE OF THE TRUST INDUSTRY IN SWITZERLAND

A survey by STEP in Switzerland and the SATC on the future of the trust industry in Switzerland

This survey was conducted in April 2011 and over 10 per cent of STEP members in Switzerland participated, producing a good sample of trust specialists throughout the country. Overall the survey results point towards a willingness by Swiss practitioners to consider changes to the regulatory regime for trusts on the basis of a more trustee-specific regulator. However, to be accepted, any such plans would need to be carefully explained to members as to how this would benefit their businesses.

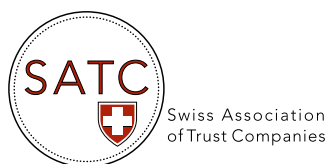
## Key points

- Despite prior predictions that the 'end of secrecy' would have a negative impact, the majority of members think the Swiss trust industry will grow or maintain its position [76%], although the high 'stay the same' figure [29%] suggests some misgivings remain among practitioners.
- Members are divided right down the middle as to whether the Swiss trust industry needs further regulation. However, given this is such a stark question and in the absence of any supporting details of the nature of the proposed regulation, the amount of support is higher than may be anticipated.
- Just over a quarter of members are not completely happy with their existing self-regulatory organisation (SRO) [29%].
- A majority of members [56%] do not think their SRO is fully capable of dealing with trustees when conducting regulatory audits
- Eight out of ten members would look sympathetically on plans for an SRO specifically for the trust industry [83%].

The summary of responses that follows is first presented in statistical form followed by a summary of participants' further comments on each issue.



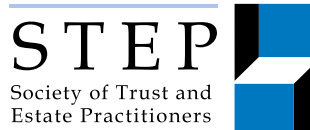
# THE FUTURE OF THE TRUST INDUSTRY IN SWITZERLAND



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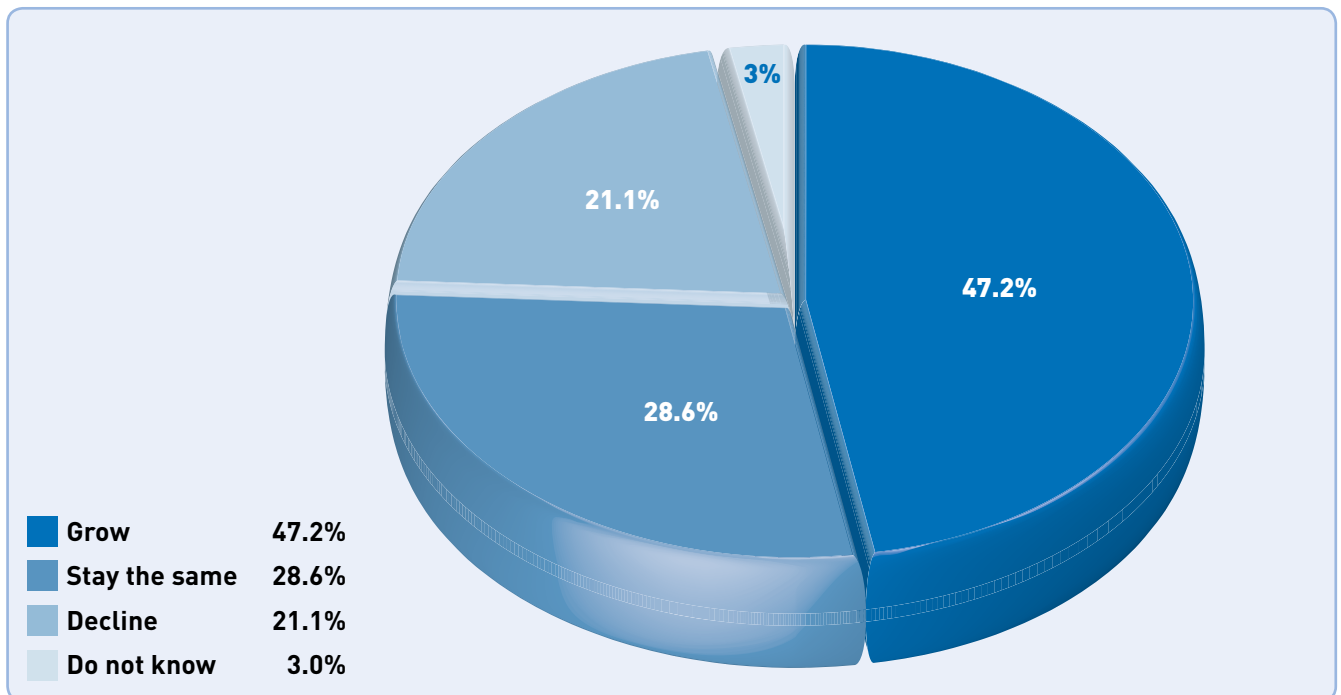
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The Society of Trust and Estate Practitioners (STEP) is a unique professional body providing members with a local, national and international learning and business network focusing on the responsible stewardship of assets today and across generations.

**QUESTION 1: Do you consider that the trust industry in Switzerland is going to grow or decline in the next three to five years?**



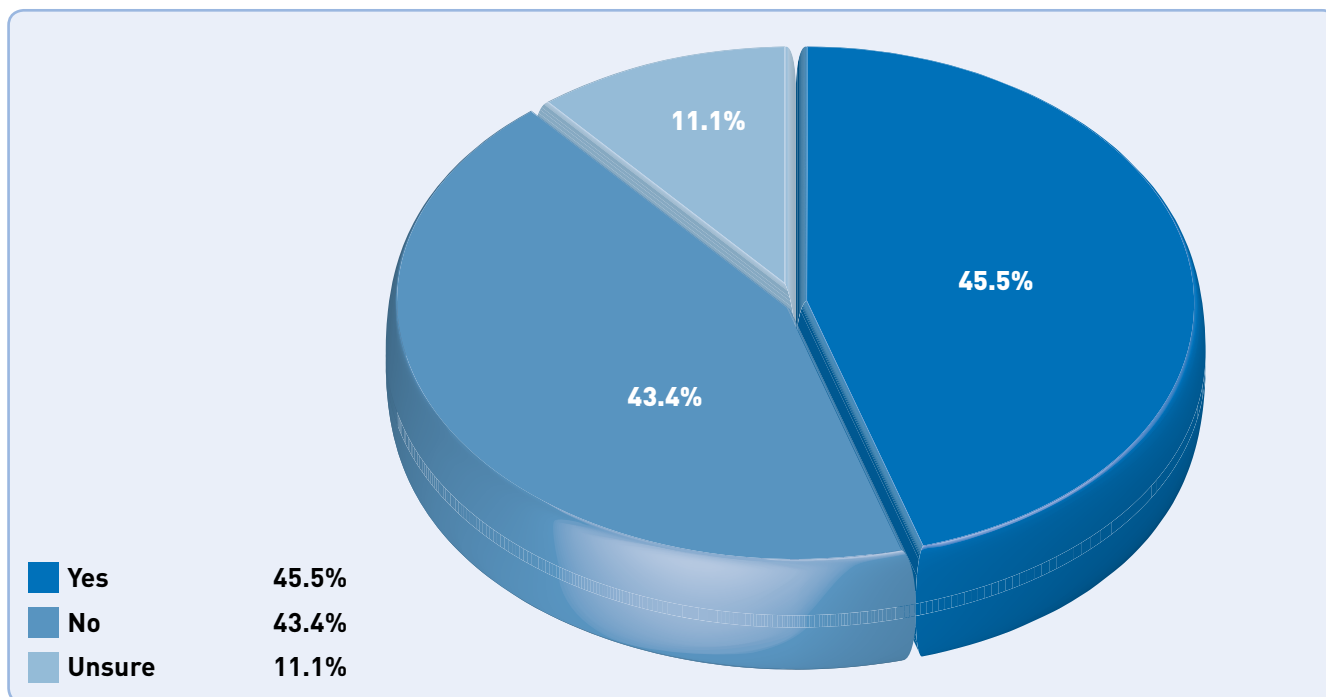
Nearly half of respondents [47%] predict the trust industry in Switzerland will continue to grow in the near future, in spite of the need to come to terms with the increased transparency being imposed on it by the EU, OECD and FATF.

The optimism expressed about the future of the industry is mirrored in STEP's latest global quarterly confidence survey, which looks at members' views across a wide-range of jurisdictions and trust and estate businesses. The latest results<sup>1</sup> show that members remain optimistic about the future of trust and estate business, with both the short-term and long-term outlook remaining positive.

In the additional comments, some respondents predicted that the total volume of trust business will decline in Switzerland, but the volume of high quality and large trusts will increase, leading to rationalisation and new opportunities for a smaller number of stronger, more professional players.

It was predicted that the number of specialised boutique operators will increase with the continued growth in wealth and cross-border activity, as well as the need to be tax compliant.

## QUESTION 2: Do you think there should be further regulation of the trust industry in Switzerland?



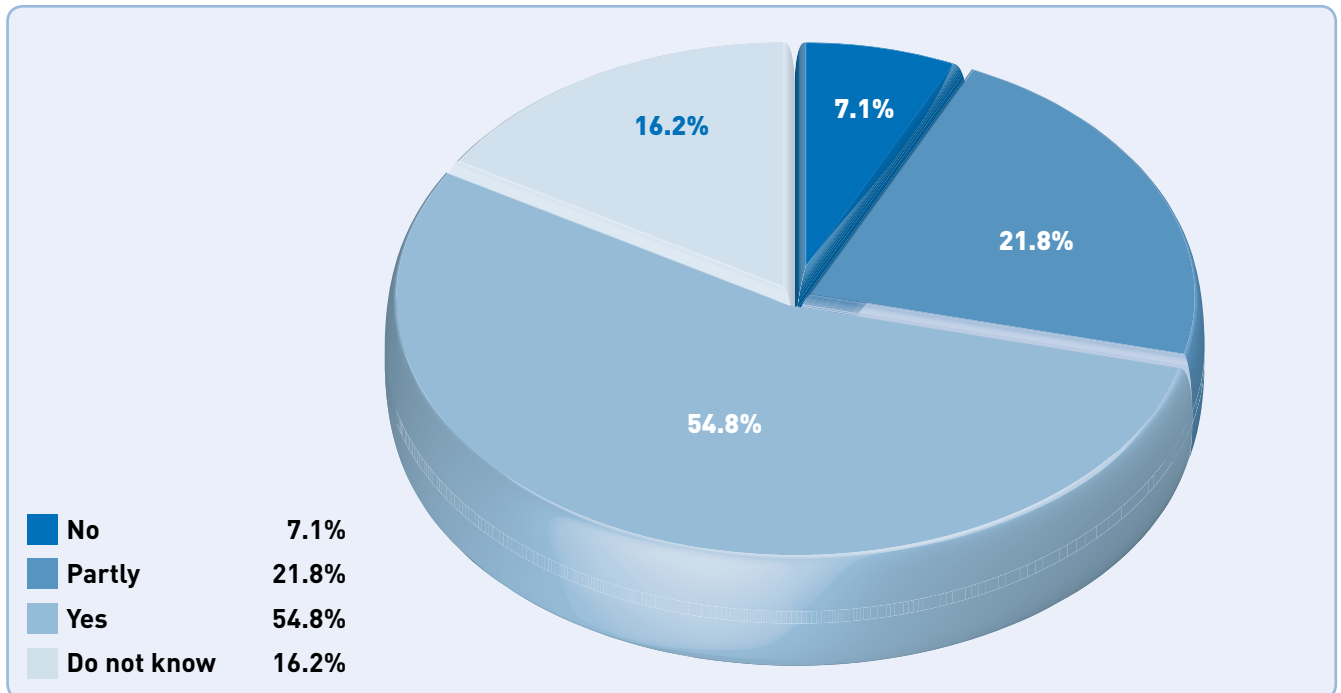
Respondents were divided right down the middle as to whether the Swiss trust industry requires further regulation. But given this is a rather stark question to be asking practitioners, and in the absence of any supporting details of the nature of the proposed regulation, the amount of support is higher than may have originally been anticipated.

The polarising theme continued, with further comments stating regulation as being a 'necessity' to improve Switzerland's reputation as a trust jurisdiction, while others claimed they were already 'over regulated' compared to other countries.

Many understandably suggested that their support was conditional on the shape of any regulatory regime.

Support for the preferred style of regulatory regime varied between SROs, independent regulatory systems, state-run regulation and trustee licensing.

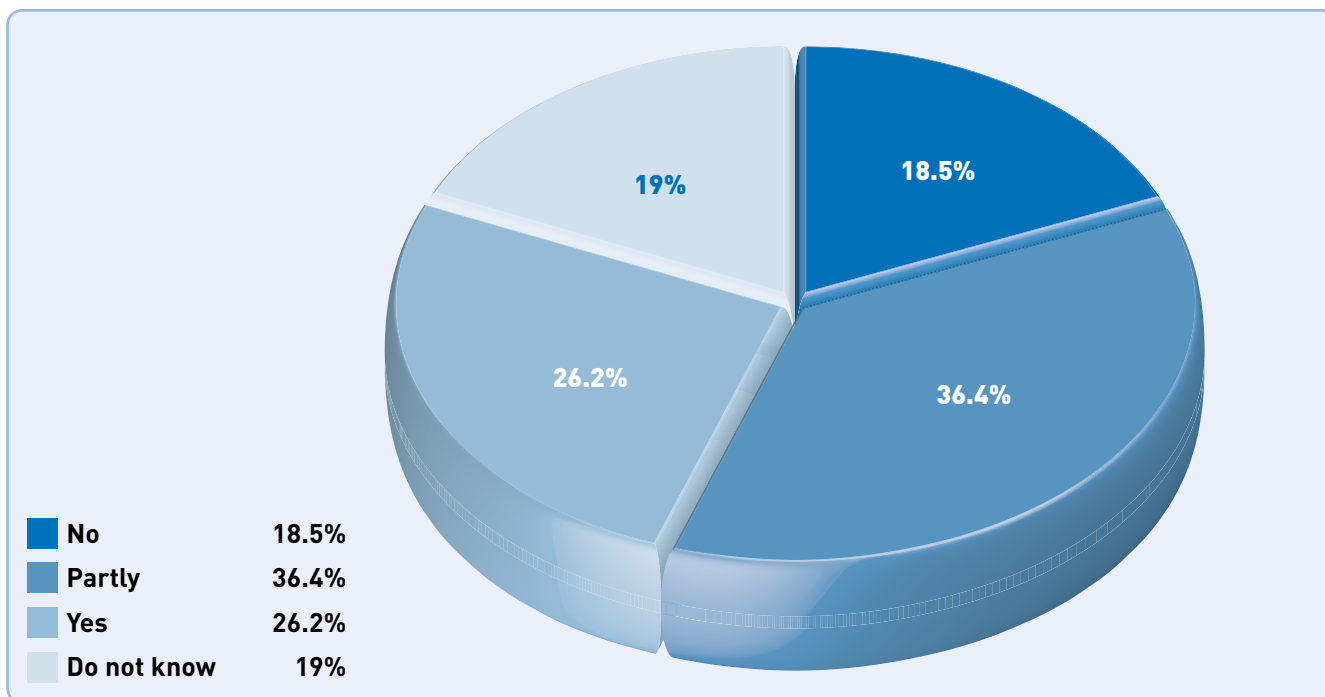
### QUESTION 3: Are you happy with your self-regulatory organisation (SRO)?



Over a quarter of members are not completely happy with their existing SRO [29%]. Respondents who were unhappy commonly cited a lack of knowledge by SROs as being a contributing factor to their unhappiness.

Some of those happy with their SRO also cited a lack of knowledge leading to rules being set and advice given on trust matters for which they believed their SRO was not qualified.

**QUESTION 4: Do you think your SRO is equipped for dealing with trustees when it conducts its regulatory audits?**

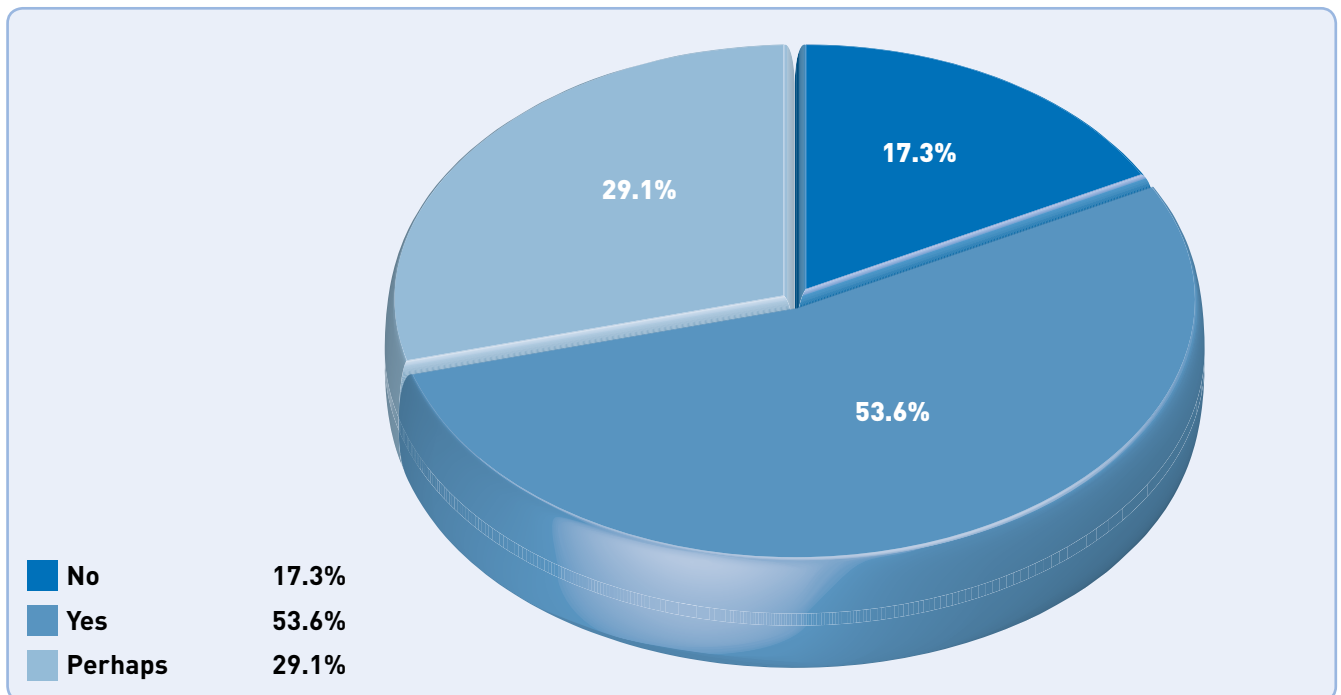


A majority of members [56%] do not think their SRO is totally capable of dealing with trustees when conducting regulatory audits. Many commented that auditors have had insufficient knowledge of trusts in their experience.

Further comments in this section echoed those in the previous question, citing a lack of knowledge by SROs leading to unsatisfactory advice being given.



## QUESTION 5: Would you welcome an SRO specifically for the trust industry?



Eight out of ten members [83%] would look sympathetically on plans for an SRO specifically for the trust industry, while more than half of those surveyed would welcome such plans.

There was an acknowledgement that many people in Switzerland are currently working hard through STEP and SATC to review the regulation in place for the trust industry. Many participants noted that the future of the trust industry in Switzerland relies on providing excellent trust services and that effective and proportionate regulation is required to show the world that Switzerland has good working practices. Regulation driven by the industry was seen as positive and some members suggested that STEP and SATC need to be at the forefront, driving a sensible approach, rather than having a regulator create an over-regulated environment that would drive away business.

Some expressed concern that introducing an SRO specifically for the trust industry may be a veiled attempt to 'license' the industry, as happens in Anglo Saxon jurisdictions, while others would support the idea only if 'trust industry' was clearly defined.

Some respondents would prefer a state-run regulatory system over an SRO.

## CONCLUSION

Overall, the results of this survey point to an encouraging future for the Swiss trust industry. The survey results also suggest that, although the majority are happy with their current SRO, efforts by STEP and SATC to review the most effective and proportionate regulation will be viewed favourably, so long as that regulation is better tailored to the needs of trustees.

There is strong support for industry-driven regulation, with a number of respondents suggesting that STEP and SATC need to lead the way in the creation of any prospective regulatory regime to ensure that practitioners' concerns are taken to account from the outset.

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