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# Swiss Private Banking – Offshore vs. Onshore

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## Abstract

Whereas this thesis confirms a general trend towards onshore banking, it also finds that offshore banking will continue to have its value proposition for Swiss wealth managers in future, along with a few adaptations in their business models.

Keywords: Private banking, Wealth management, Switzerland, Onshore, Offshore, Cross-border

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## Executive summary

Offshore banking<sup>1</sup> is "dead" as many industry experts claim. Due to the end of the tax-induced offshore model, there has been a significant shift from offshore to onshore wealth in Europe and future business models are expected to evolve around onshore banking<sup>2</sup> (Martino et al. (2015); Gemes et al. (2010)). Whereas this thesis confirms a general trend towards onshore banking by analysing Swiss wealth managers' internationalization strategies, it further finds that offshore banking will continue to have its value proposition – especially with regard to the diversification and privacy protection of client assets (Gemes et al. (2010)). A few adaptations in wealth managers' business models might however be necessary. The decision to serve a market offshore should aim to overcompensate for the long distance of the cross-border relationship and the complexity that goes hand in hand with (Ernst & Young (2010)). Thereby it is important for banks to closely monitor the regulatory environment and assess the attractiveness of each market for offshore banking progressively (Gemes et al. (2010)). Also, wealth managers need to be aware of less traditional market access options such as cross-border authorisations and exemptions from local licenses, as well as the passporting of EU subsidiaries under MiFID (KPMG (2009, 2010)). The combination of on- and offshore services in a harmonizing way seems thereby to serve the needs of clients best in a global world with increasing international mobility (Geiger and Hürzeler (2003); McKinsey & Company (2014); Deloitte (2016)).

Further findings are that macroeconomic factors such as the exchange and interest rate have implications for the way cross-border markets are served. On the one hand the appreciation of the Swiss franc is disadvantageous for offshore models due to the resulting currency mismatch

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<sup>1</sup>Definition: "Offshore banking refers to the deposit of funds by a company or individual in a bank that is located outside their national residence" Conceicao.

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