

Interdependence and its risks

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The members of this ecosystem are interdependent. The custodian banks depend on asset managers and *family offices* for part of their assets. The asset managers depend on the banks for their infrastructure. Lawyers, fiduciaries and trustees depend on the banks to open accounts for the structures they create. The *family offices* depend on all the others for the services they coordinate.

This interdependence creates synergies, but also shared risks. A compliance failure at one intermediary can contaminate the banks with which it works. The international data leaks have shown that structures created by Geneva intermediaries could implicate the financial centre as a whole.¹ The banks have therefore tightened their requirements towards the intermediaries with which they work: verification of their licence, their procedures and their reputation, and refusal of relationships that present excessive risks.

Regulation has accompanied this development. The licensing of asset managers and trustees, the extension of the Anti-Money Laundering Act to advisers and the transparency register are intended precisely to ensure that all members of the ecosystem observe comparable standards. The financial centre gains in credibility, at the price of greater complexity and a selection among the actors.

1 Notes

1. Swissinfo, 10 May 2016: at least 1,339 Swiss intermediaries appear in the Panama Papers, which places Switzerland among the top five countries (Hong Kong 4,902, United Kingdom 2,106, United States 1,540), for more than 34,000 companies created; Public Eye, press release of 6 April 2016: Switzerland ranks second behind Hong Kong among the clients of Mossack Fonseca, with more than 37,000 Panamanian companies, i.e. more than one sixth of the entities recorded by the ICIJ, four banks supervised by FINMA being among the clients; Public Eye points out that the AMLA applies to lawyers only where they have access to client funds. ↩

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