

The triangular relationship: client, independent manager, custodian bank

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A significant part of Geneva wealth management rests on a three-way relationship: the client, the independent wealth manager who advises him and manages his portfolio, and the custodian bank that holds the assets and executes the orders. This relationship, which the following chapter will describe in detail, has consequences for the business model of the banks.

For the custodian bank, independent managers constitute a channel for acquiring assets, without the direct cost of a client relationship. It collects custody fees, brokerage commissions and an interest margin, while also being able to offer additional services. In return, it bears compliance obligations, since it must identify the client and the beneficial owner, monitor transactions and comply with the anti-money laundering rules, independently of the checks carried out by the manager.

The division of revenues between the bank and the manager is a matter for negotiation. The retrocessions paid by banks to managers, long common practice, have been circumscribed by case law and statute, which require their disclosure and, in principle, their return to the client. Models based on fees paid directly by the client to the manager, without retrocessions, have developed.

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This triangular relationship makes Geneva a financial centre in which banks and independent managers are interdependent. The banks that have made services to intermediaries a strategic axis draw substantial volumes from it, while the managers benefit from infrastructure that they could not finance on their own. The quality of this cooperation is one of the strengths of the financial centre.

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