

The multi-family office between advice and licensing

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The multi-family office, which serves several unrelated families, occupies a position between the independent asset manager and the single family office. It may manage the families' investments, coordinate their advisers, administer their companies and structures, handle their tax returns and organise their philanthropy. Where it manages assets on a discretionary basis for families with which it has no family or economic ties, it requires a licence as a portfolio manager under the Financial Institutions Act. If it limits itself to advice, administration and coordination, without discretionary management, it may remain outside the licensing regime. It may still be a financial intermediary for anti-money-laundering purposes, depending on the powers it holds over the families' assets.¹ The line between advice and management is not always easy to draw, so the practitioner who structures a multi-family office must analyse each of its services. A family office that recommends investments to its clients, who then instruct their banks, provides investment advice, which is subject to the rules of conduct of the Financial Services Act but not to licensing. A family office that executes investment decisions on behalf of its clients under a power of attorney manages assets and requires a licence. The distinction has practical consequences for the organisation, the costs and the liability of the office. It must be reflected in the contracts with the families and in the documentation of the office's activities.

For the canton of Zug, whose concentration of wealthy families creates a natural market for multi-family offices, the regulatory framework determines the shape of this industry. Multi-family offices in the canton may be independent firms or offshoots of banks, asset managers or law firms. Their growth depends on their ability to offer the families a comprehensive service at a cost that the families find reasonable, in a regulatory environment that has raised the costs of the industry.

1 Notes

1. FINIG, Art. 17 para. 1 (SR 954.1), droit-bilingue.ch: a portfolio manager is whoever, on the basis of a mandate, can dispose professionally of clients' assets in their name and for their account; VQF, "Unterstellungspflicht", vqf.ch: managing assets for third parties is financial intermediation under Art. 2 para. 3 GwG. SWA Swiss Auditors AG, swa-audit.ch: persons who manage exclusively assets of persons with economic or family ties are outside the FinIA. ↩

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