

Independent managers and custodian banks: outsourcing and division of labour

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The relationship between an independent asset manager and a custodian bank rests on three contracts. The client concludes an account and custody agreement with the bank and a management agreement with the manager, granting the manager a limited power of attorney over the account, usually on a form provided by the bank. The bank and the manager conclude a cooperation agreement in which they allocate their duties. The division is precise. The manager takes the investment decisions, maintains the relationship with the client and must satisfy the FinSA rules of conduct, including the suitability assessment. The bank executes orders, keeps the assets in custody, reports to the client and carries out its own due diligence under the anti-money laundering rules, although it may rely on certain information from the manager. Since 2020 both parties have been prudentially supervised, the bank by FINMA and the manager by its supervisory organisation, which has simplified the allocation of responsibility but has not removed the bank's own obligations.¹

Within their own organisation, independent managers may delegate tasks to third parties, provided that the delegate has the necessary skills, knowledge and experience and any required authorisation, and that the manager selects, instructs and supervises it with appropriate care. Many independent managers outsource compliance, risk management, information technology and accounting, while some delegate portfolio management for specific asset classes to specialists. FinIA requires such outsourcing to be documented in the organisational regulations.² For banks, the outsourcing of significant functions is subject to more detailed requirements set by FINMA, including the right of the authority and the audit firm to inspect the service provider and the requirement that data remain accessible from Switzerland.³

Outsourcing has become a supervisory priority because of the concentration of services on a few providers. FINMA reported in April 2026 that nearly half of the cyberattacks reported to it had targeted service providers of supervised institutions.⁴ For small private banks and independent managers, which rely on a handful of core banking systems, portfolio management systems and cloud providers, the vulnerability of a provider can threaten many institutions at once. The response has been a combination of contractual control rights, exit strategies and increased investment in cybersecurity, each of which adds to the fixed costs that already weigh on small firms.

The custodian banks have become the central infrastructure of the independent management industry. The larger Zurich and Geneva banks run dedicated units for external asset managers, which offer trading platforms, reporting tools, lending facilities and access to investment products and research. The zeb study noted aggressive pricing by custodian banks with efficient platforms and client fees ranging from less than 10 to more than 25 basis points depending on the volume of assets.⁵ This competition among banks for independent managers has made Zurich a market in which a small management firm can obtain services of a quality that it could never produce itself. The corresponding risk is dependence on a few large custodians, whose terms and risk appetite determine which clients and business models an independent manager can serve.

1 Notes

1. PwC Switzerland, “Entwicklungen im Intermediärgeschäft” (28 August 2023), noting that custodian banks carry out their own verifications of beneficial ownership and that relying solely on a third party’s clarifications is generally a thing of the past, <https://www.pwc.ch/de/insights/finanzdienstleistungen/entwicklungen-im-intermediaergeschaeft.html>. ↩
2. Ferro, “Authorisation requirements for portfolio managers” (n. above). ↩
3. Baker McKenzie, client briefing on the new FINMA outsourcing circular (January 2018), on FINMA Circular 2018/3 “Outsourcing – banks and insurers”, in force from 1 April 2018, including audit and inspection rights for the company, its auditors and FINMA and the requirement that the necessary information be accessible in Switzerland at any time, https://www.bakermckenzie.com/-/media/files/insight/publications/br_zurich_newfinmaoutsourcingcircular_jan18.pdf/1000. ↩

4. FINMA, annual media conference 2026 (n. above). ↩
5. zeb, EAM Study Switzerland 2026 (n. above). ↩

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