

The Impact of Financial Regulations on External Asset Managers in Switzerland

A second survey on the effects of FIDLEG and FINIG

Adrian Willi
Prof. Dr. Sita Mazumder
Dr. Donnacha Daly

March 2024

School of Computer Science & IT
Algorithmic Business Research Lab

Sponsors



Reuss Private

swa
Swiss Auditors



Introduction

- What are the implications of the FIDLEG / FINIG Regulations on Swiss EAM's?
- **2016:** 1st EAM Survey @ HSLU
- **2020:** FIDLEG & FINIG in force
- **2023:** 2nd EAM Survey @ HSLU
- What changed? What did we learn?
What can we expect?



2024

survey

119

participants

56

valid

38

questions

4

languages

3

topics

- A. Business Overview
- B. Regulatory Impact
- C. Process & Technology

Survey: Part A

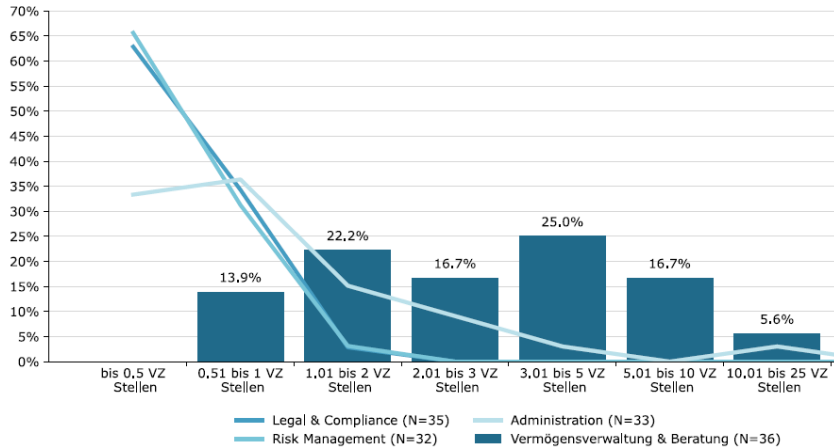
Swiss EAM Business Overview



Small Businesses / Young Businesses

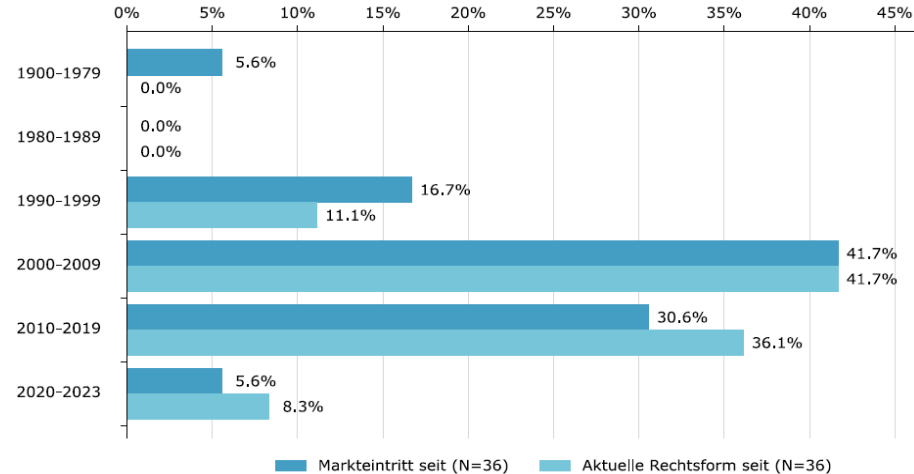
- Of those surveyed, 53% have 3 FTE staff or fewer (▲ down from 75%)

Anzahl Vollzeitstellen nach Bereich



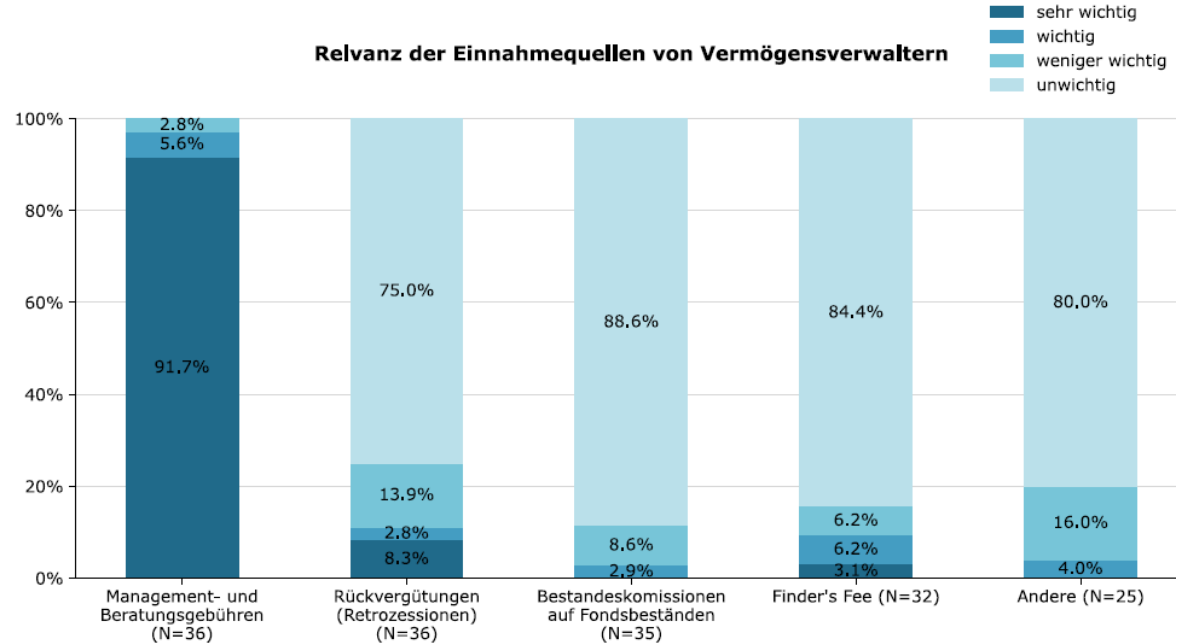
- More than 75% of EAMs exist only since 2000

Jahrgang des Markteintritts und der aktuellen Rechtsform



Revenue Breakdown

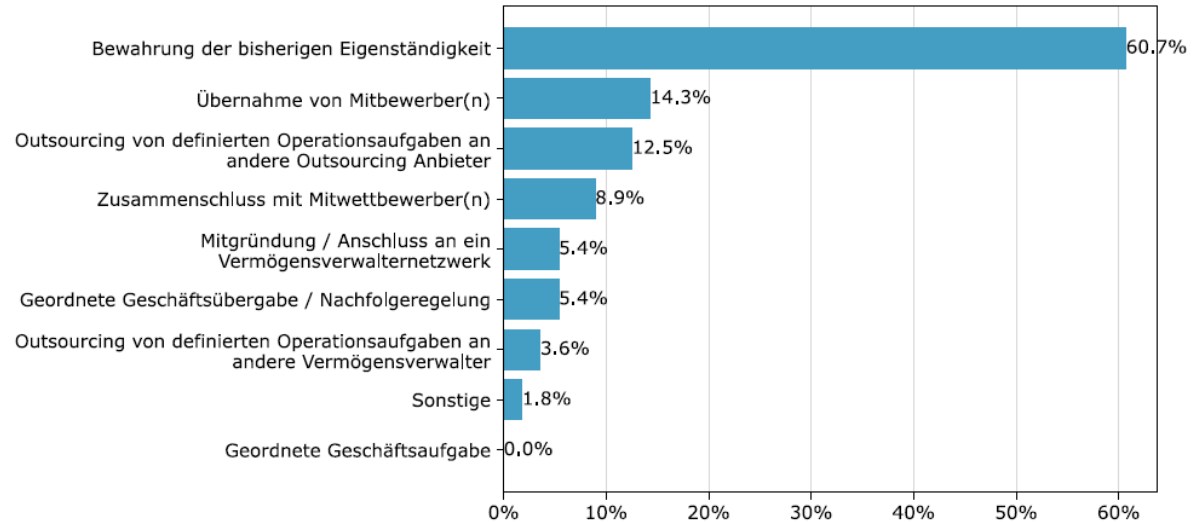
- Of those surveyed, 59% serve Private Clients, the top EAM segment (▲ as it was in the previous survey)
- It is no surprise that management fees and advisory are the most important sources of revenue
- About half of Swiss EAMs originate more than 50% of their AuM in Switzerland



Strategic Independence

- Swiss EAM's guard their **independence** fiercely
- More than 60% see this as a top strategic priority

Geschäftsstrategie (N=56)



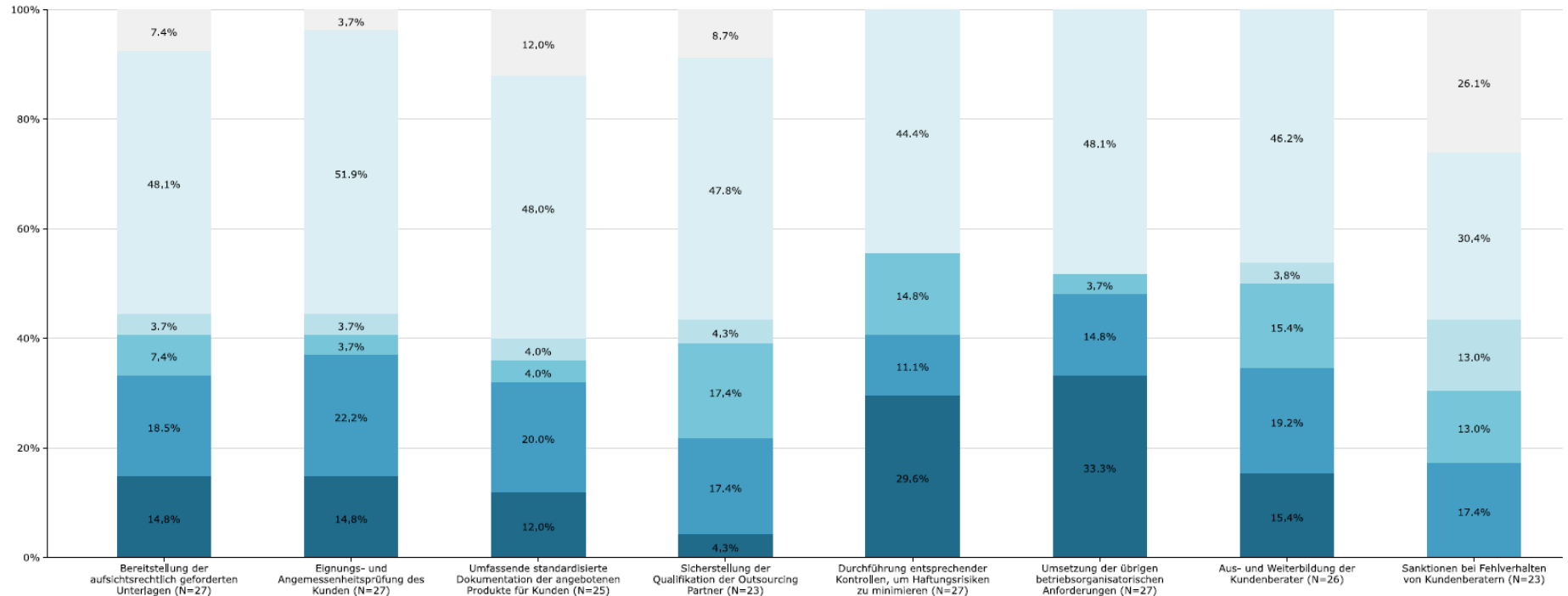
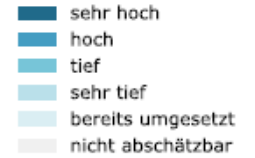
Survey: Part B

Swiss EAM Regulatory Impact



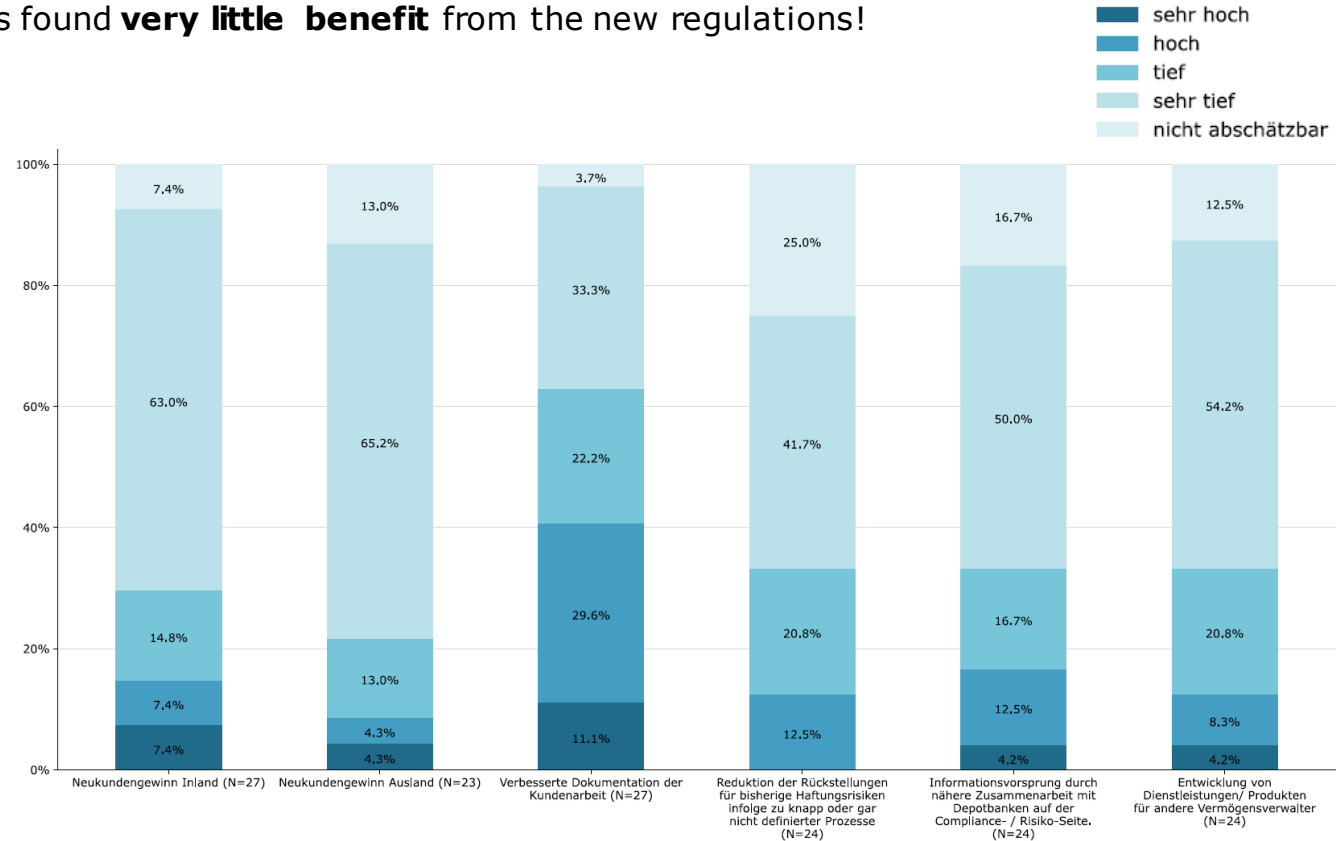
Additional **Costs** due to New regulations

- The financial burden of new regulations was previously expected to be high **▲**
- This proved correct, with 17 – 49% reporting high across all related areas



Additional **Benefits** due to New Regulations

- Most survey participants found **very little benefit** from the new regulations!
- The only exception was in documentation
- 40% of those surveyed saw an improvement in documentation due to new regulations

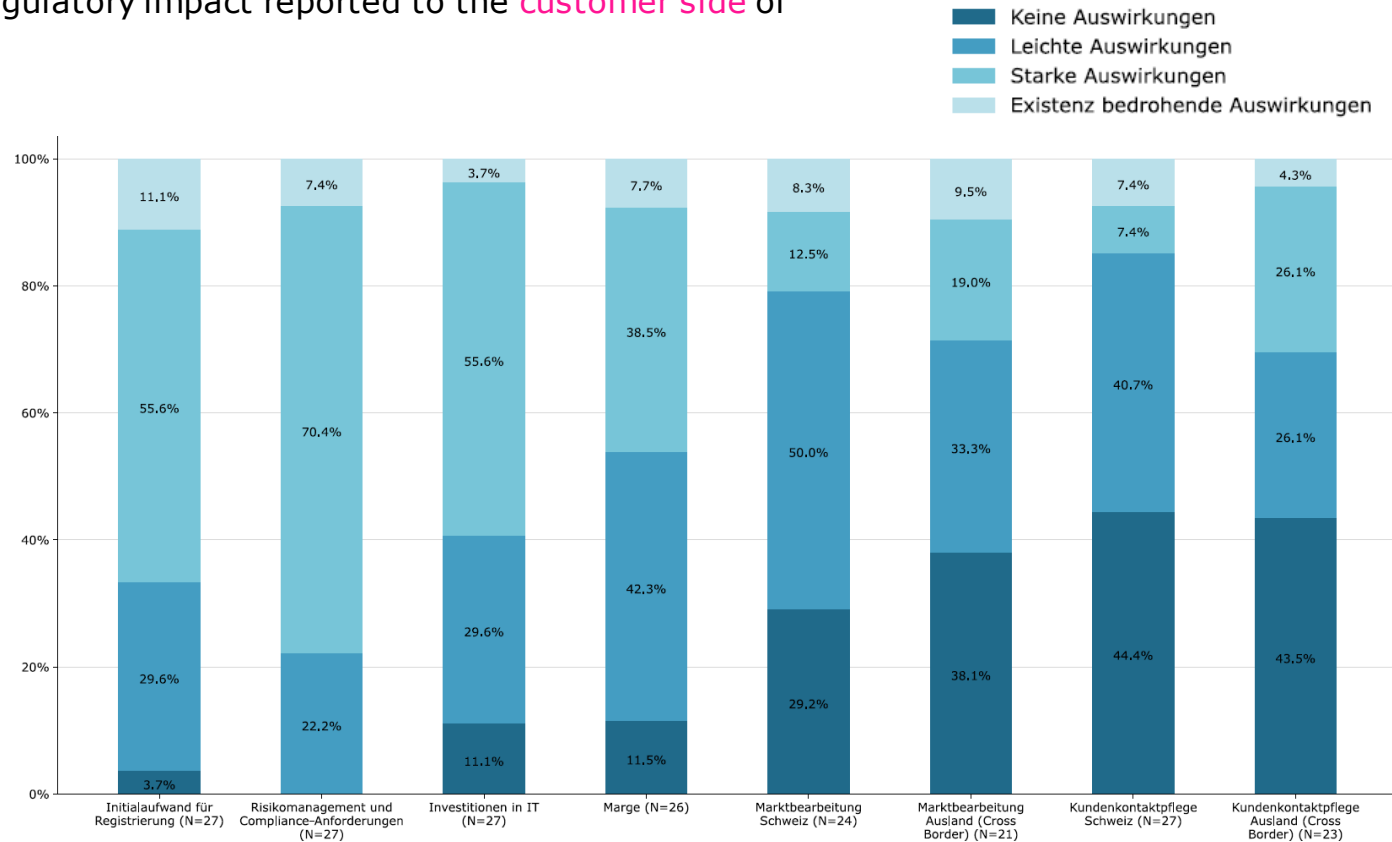


Impact of Regulations

- There is very limited regulatory impact reported to the **customer side** of the business

- However, >90% report **compliance** and management of **risk** as imposing a strong burden on their business

- Compared to previous study, far fewer report **existential impact** of regulations (▲ could be survivor - ship bias)



Survey: Part C

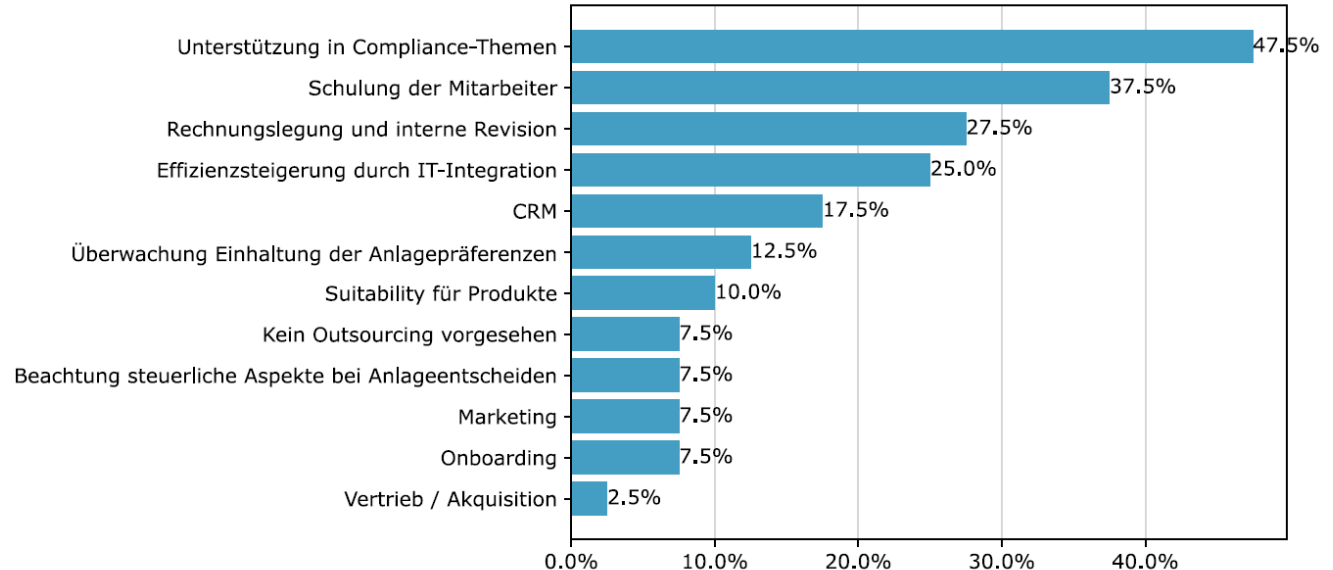
Swiss EAM Process & Technology



Outsourcing

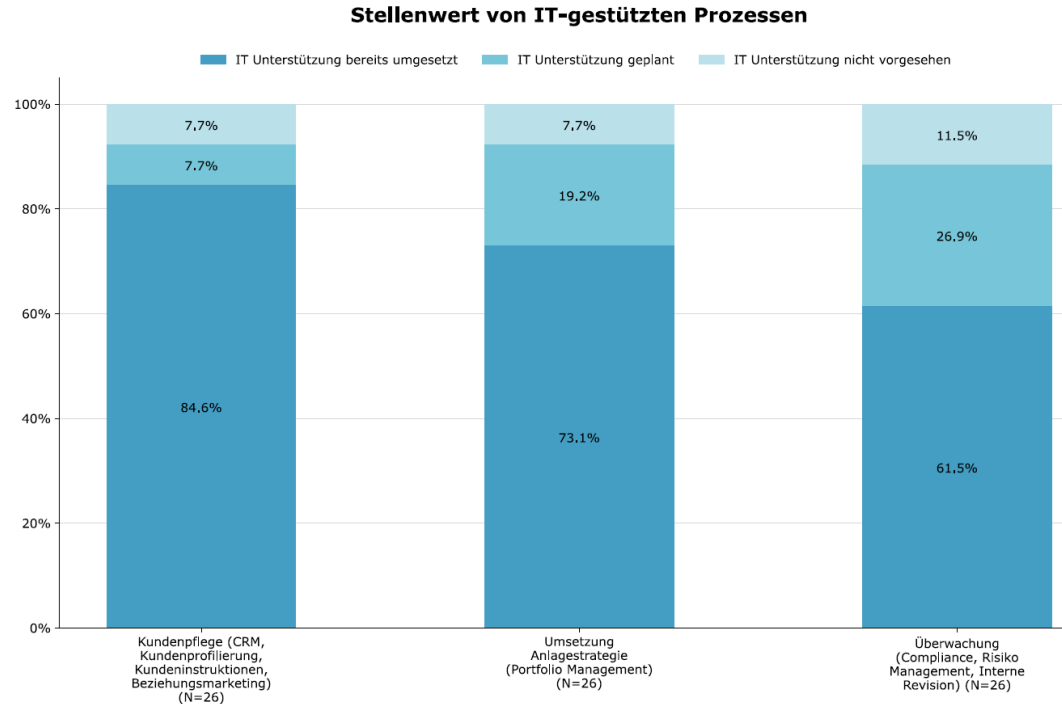
- There is an increased willingness to consider outsourcing compared to the first survey **▲**
- The number of EAMs that don't consider any outsourcing dropped from 39.9% to only 7.5% **▲**
- The top area for outsourcing is in regulatory **compliance** support

Prüfung Outsourcing bei Kernprozessen (N=40)



IT Solutions

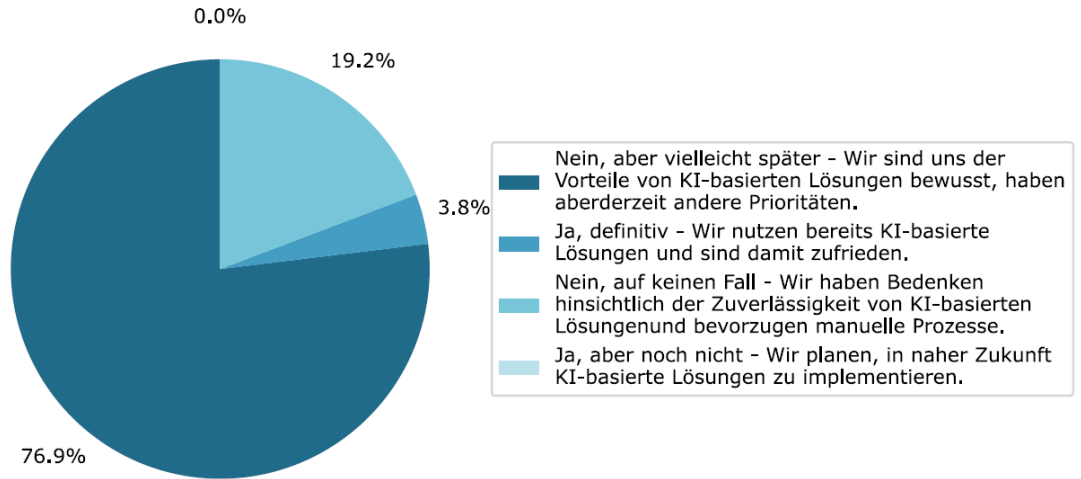
- The industry has wholeheartedly embraced IT solutions to support **operations**
- Around 90% of respondents identify processes across the business with **IT solutions** in place or in planning
- This includes both front office functions (like **CRM**) and back-office functions like (like **portfolio** management and **compliance**)
- This is a big change from the first survey, when 45% were not planning further IT support **▲**



Artificial Intelligence (AI)

- ChatGPT was launched at the end of 2022. AI and **large language models** have taken every industry by storm
- Despite this there is **very little appetite** in the asset management for using AI technologies
- Less than 5% surveyed are using or plan to use AI technologies

Verwendung von KI basierten Legal & Compliance Lösungen (N=26)



Survey Conclusions

Swiss EAM Key Takeaways



Key Takeaways



The survey demographic of Swiss asset managers is **young and small**. More than 50% have three FTE's or fewer.



The cost of compliance was expected to be burdensome. Indeed, almost 50% of correspondents reporting high or very **high costs**.



There is a perceived **lack of benefits** coming from the new FIDLEG and FINIG regulations.



Swiss asset managers remain fiercely independent, and value **independent decision making** as core to their value proposition.



There remains a strong acceptance for outsourced compliance solutions, with close to half of all those surveyed using or considering **outsourcing**.



There is upswing in the willingness to employ **IT solutions** across all aspects of the business. Almost 90% using or plan to use IT solutions.



Less than 5% of Swiss asset managers are using or plan to use **artificial intelligence** (AI) technology in their operations.



A wave of **consolidation** was expected in the industry. This did not materialise. Nevertheless, the view remains that it will come.



There is **negative sentiment** around the industry attractiveness. >75% identify high liability risks because of the new regulations.



90% of those surveyed do not see the regulations as a **competitive advantage** in opening new European markets.

Thank You! Please contact us for any questions.



Adrian Willi

Researcher at the Algorithmic
Business Research Lab

adrian.willi@hslu.ch



Prof. Dr. Sita Mazumder

Co-Head of the Algorithmic
Business Research Lab

sita.mazumder@hslu.ch



Dr. Donnacha Daly

Head of Studies in
Artificial Intelligence

donnacha.daly@hslu.ch



Hochschule Luzern –
Informatik
Algorithmic Business
Research Lab
Campus Zug-Rotkreuz
Suurstoffi 1
6343 Rotkreuz

T +41 41 757 68 11
informatik@hslu.ch
hslu.ch/informatik