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### **Franz de Planta: Self-regulation should remain the key.**

Franz de Planta is Chairman of the OAR-G (Organisme d'autorégulation), that is the self regulatory body of the Swiss Association of Independent Financial Adviser (GSCGI) and of the Geneva Corporative Employers' Association of Wealth Managers (GPCGFG).

As such the OAR-G, under licence granted by the Swiss Department of Finance in Berne, authorizes its affiliated members to exercise and supervises them as to the due fulfilment of their legal obligations and compliance with the Money Laundering Act (LBA).

He argues that reliance on self-regulation, as it is enshrined in the LBA, has sufficiently demonstrated its practical value over the last few years. Indeed, it would be paradoxical if Switzerland was to renounce a concept which increasingly appears as a model for other jurisdictions.

Self-regulation is no easy way and the costs it entails are fairly high for the 6,000 non banking "Financial Intermediaries" (or IFA's) registered as such with the Swiss Ministry of Finance.

Globally, the costs of compliance in Switzerland are situated somewhere between 1 and 2 billion Swiss Francs on a yearly recurrent basis. This burden might even increase in the future, as a prospective compensation could be levied as of 2006 by the Swiss Department of Finance to allegedly cover the administrative costs of overseeing the fight against money laundering and the expenses of its Control Authority (AdC).

This could add up an important extra financial charge for the self-regulatory bodies or OARs. While not very costly for a start, such a scheme would open the door to subsequent increases with uncertain limits on the upside.

Hopes are that there will not be a growing pressure on the existing OARs to fall in line with the politically thought out strategy decided in Berne, without making sufficient allowance for the experience of those who are immersed in the day-to-day activity of wealth management.

Thus, the Federal administration seems not to worry about the consolidation in the number of self-regulatory bodies making them less representative of what is regarded by the industry as vested interests. In the eyes of Franz de Planta and almost all the IFAs, compliance should on the contrary rely on profes-



sional organizations responsive to specific needs, so as to make them more effective in the global fight against money laundering.

Increasingly, the Administration's trend toward more regulation contradicts the avowed reliance on self-regulation. At the end of the day, the establishment of a large centralized authority to oversee the entire financial sector including banks and non banks, insurance companies and financial intermediaries, not only in LBA-compliance but in other matters as well, is likely to make the existing system redundant.

Wealth managers would have to spend an ever increasing amount of time discharging administrative duties and filing innumerable

forms to cover against impending action on the part of hyperactive and evermore intrusive State agencies, thus soon outpricing the Swiss market place over their much less demanding partners about these same aspects in the global financial landscape. Needless to say, such an environment would doubtlessly drive many clients away. And it will not really contribute to improve the market place Switzerland.

**Mohammad Farrokh**