# Navigating Trends and Regulations in Swiss Asset Management: Insights for 2025

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**KPMG Switzerland**

## Introduction

The Swiss financial services and asset management industry boasts a long-standing tradition of excellence, underpinned by a robust regulatory framework and a reputation for stability. As one of the world's leading financial hubs, Switzerland's well-established market is renowned for its expertise in asset management and private banking, attracting clients from across the globe.

It is worth noting, that Switzerland is known to be a global asset management market as well as a fund domicile of choice, predominantly for domestic investors. Recent changes in the regulatory frameworks seek to further enhance Switzerland's standing as a fund domicile, by expanding the range of available products – for example, through the introduction of a long-awaited investment vehicle: the Limited Qualified Investor Fund (L-QIF).

The Swiss asset management industry is navigating a dynamic landscape marked by operational challenges and rapid legal and regulatory change. Staying ahead of these developments is essential for asset managers, to craft innovative, legally compliant business models that meet the evolving needs of their clients.

> **Based on the 'Swiss Asset Management Study 2024', Switzerland is the 3rd largest asset management market in Europe.**

New product regulations and progress in artificial intelligence (AI) are reshaping client expectations. Swiss and global clients are demanding cutting-edge investment solutions tailored to the complexities of the modern financial environment.

This publication offers an overview of these key developments and emerging trends while providing a forward-looking perspective for 2025. It serves as a guide for market participants seeking a good understanding of the Swiss asset management market and its governing framework.

## The asset management market in Switzerland (background and figures)

Based on the Swiss Asset Management Study 2024[1], published by the Asset Management Association (AMAS), Switzerland is the 3rd largest asset management market in Europe.[2] In total, CHF 3.1 trillion assets were managed by Swiss-based asset managers in 2023.[3] This is split into the following categories: discretionary mandates (41.5%), investment funds for Swiss clients (39.3%) and investment funds for foreign clients (19.1%).[4] Between 2016 and 2023 the market saw significant growth of 58.2 percent.[5] Approximately 24% of AuM are invested in alternative assets.[6]

Several different entities make up the Swiss asset management ecosystem: asset managers and trustees, securities firms, fund management companies, banks and custodians. Given the strong financial market in general, it is often the case that asset managers are owned by banking and insurance groups. However, independent asset managers are also active in the market.

The Swiss market is attractive not only from a domestic legal and regulatory standpoint, but also thanks to Switzerland's many favourable international agreements. These connect Switzerland with other important global financial hubs such as the United Kingdom (UK), individual EU Member States, China (including Hong Kong, SAR China), Japan, Singapore, South Korea, the United Arab Emirates (UAE), and Saudi Arabia. For instance, investments made by Swiss investors (natural and legal persons) in over 90 countries are safeguarded from political risks through international investment agreements (IIAs). Switzerland's IIA network is the third largest in the world, and covers investments in many jurisdictions in Asia, Africa, the Middle East, Europe, and Central and South America. Portfolio investments such as shares or bonds may also be covered.

Similarly, Switzerland has concluded over 30 free trade agreements with over 40 partner countries; many of which contain trade-in-service chapters that facilitate crossborder provision of services, including financial services.

**Finally, the Berne Financial Services Agreement signed with the UK, the first of its kind, will allow Swiss financial institutions to provide certain financial services to clients in the UK and vice versa (for more details, refer to the market access section).**

[1] https://www.am-switzerland.ch/assets/content/files/Asset_Management_Study_2024.pdf
[2] ibid 7. AuM managed in Europe as of the end of 2022.
[3] ibid 5.
[4] Ibid.
[5] Ibid.
[6] Ibid 4.

## The Swiss asset management regulatory framework

In asset management, a distinction is made between product-related regulation (i.e. investment fund regulation) and the regulations applicable to the associated financial institutions that manage, facilitate or safekeep those assets. In order to provide a general overview, these two aspects are highlighted as follows:

**Institutional regulation**
Within institutional regulation, some laws and regulations are universally applicable in the sense that they apply to most, if not all financial intermediaries. Following the tiered structure of the legal system, these include:

- constitutional and state treaty regulations
- fundamental laws of private/civil law (such as the Swiss Code of Obligations and Civil Code)
- provisions concerning market conduct and the prevention of Money Laundering and Terrorist Financing
- the Data Protection Act
- the Financial Market Supervision Act
- the Financial Market Infrastructure Act, or
- the Financial Services Act.

In addition to these laws, their associated ordinances and implementing provisions, there are also laws that apply depending on the type of institution in question. As such, the Banking Act and Ordinance regulate the main provisions for Swiss banks. Additions applying for depositaries/custodian banks are stipulated by the Collective Investment Schemes Act (CISA).

The provisions concerning portfolio managers, trustees, managers of collective assets, fund management companies and securities firms in turn are stipulated by the Financial Institutions Act (FinIA), the corresponding ordinance and implementing provisions.

In addition, the Swiss Financial Market Supervisory Authority (FINMA), has the option of issuing circulars and supervisory notices applicable to both banks and other financial institutions – including asset managers. As a general rule, FINMA follows the principle of proportionality, whereby the scope and depth of these rules depend on the size and scope of the institution's operations.

Supplementing these legal and regulatory requirements, Switzerland has historically had a relatively strong focus on the principle of selfregulation. According to this principle, industry organisations such as the Swiss Bankers Association (SBA) and the Asset Management Association (AMAS) are invited by the regulator to develop guiding principles on individual legal aspects. Depending on the subject, these principles apply either to the members of the organisations, or can also be recognised by FINMA as a mandatory minimum standard for all financial intermediaries. Prominent examples of such regulations include the Swiss banks' code of conduct with regard to the exercise of due diligence (CDB 20) or the AMAS Code of Conduct.

Furthermore, depending on the domicile of target investors and clients of the financial service provider, additional jurisdictions' laws may also be applicable in addition to Swiss law (for example, the UCITS Directive, AIFMD, and MiFID II in the European Union).

**Product/Investment fund regulation**
On the product side, the legal relationship between the investors, the fund management company and the custodian bank/depositary is regulated in the fund contract (for contractual funds) or the documents constituting the company (for corporate funds). With the exception of unregulated funds (i.e. the newly adopted L-QIF), these documents must be approved by FINMA.

In order to create a licensable product, the previously mentioned principles of private and civil law must be observed. Depending on the group of investors, the relevant investor protection provisions of the CISA and the Financial Services Act (FinSA) must also be complied with. The detailed provisions regarding the structure of regulated funds (such as asset classes, access restrictions, leverage, risk limits, etc.) and the roles and legal relationship between the individual parties are governed by the CISA, the associated ordinance and implementing provisions.

The aforementioned industry organisations also come into play when drafting fund contracts. For example, AMAS model fund contracts are available for individual types of funds, the structure of which must be adhered to (or if a deviation is made, a justification towards the regulator FINMA is expected).

## Legal and regulatory initiatives

In the past year, there were a number of legal and regulatory initiatives that are highly relevant for the Swiss asset management market – an update is provided as follows:

### Amendments of the CISA & CISO and additional financial market acts

Effective 1 March 2024, revisions to the CISA and its respective Ordinance (CISO) introduced several changes, including:

- The introduction of a new type of investment fund (detailed in the product section).
- Enhanced regulations for risk management and the handling of illiquid investments, such as the option to create side pockets within Swiss funds. Mandated internal liquidity risk management procedures, including stress testing and crisis management plans.
- Requirements for fund documents (contractual provisions), including FINMA approval, and public disclosure obligations.

Under the revised Anti Money Laundering Act (AMLA), as of 2024, financial intermediaries must now "verify" the identity of beneficial owners, rather than merely "ascertain" it. Intermediaries are also required to periodically update and verify client information, irrespective of specific events. The new rules also address the termination of client relationships in cases of suspected money laundering, along with reporting obligations to the Money Laundering Reporting Office (MROS). FINMA has also issued updated guidance for conducting AML risk analyses for financial intermediaries.

Regarding the handling and processing of personal data, the revised Federal Act on Data Protection has imposed stricter requirements on companies. These include governance obligations, comprehensive information sharing, and detailed record-keeping on data processing activities. Non-compliance may result in fines of up to CHF 250,000, which are levied on the responsible individuals rather than the company.

### Product-related developments – a special focus on the L-QIF

As mentioned above, the recent amendments to the CISA and CISO have introduced a long-awaited investment vehicle: the Limited Qualified Investor Fund (L-QIF). This innovative fund structure, available in both open-ended and closed-ended formats, is exclusively tailored for "qualified" investors as defined by CISA.

Designed to accommodate a wide range of asset classes, the L-QIF seeks to enhance Switzerland's standing as a dynamic and competitive hub for investment funds. By offering a flexible and efficient framework, it bolsters the country's appeal to sophisticated investors and promotes its capacity for financial innovation.

Notably, the L-QIF structure is comparable to Luxembourg's Reserved Alternative Investment Fund (RAIF) vehicle and distinguishes itself from other Swiss funds. Although the manager and custodian must be regulated, the product is outside of FINMA's direct approval and supervisory scope. This streamlined regulatory approach for professional investors ensures agility and cost-effectiveness while maintaining the high standards expected of Switzerland's financial ecosystem.

### Supervisory priorities

Over the past two years, FINMA has significantly strengthened its oversight in managing critical risk areas, including operational risk, cybersecurity, liquidity, AI, and environmental, social, and governance (ESG) concerns. The regulator also maintained vigilant scrutiny of evolving trends in crypto assets, decentralized finance (DeFi), and distributed ledger technology (DLT)-based trading systems.

In line with its commitment to safeguarding clients and ensuring the stability of the financial system, FINMA issued comprehensive guidance on so-called staking services and crypto asset custody practices. It also provided detailed directives on managing operational risks, underscoring its expectations for robust and resilient risk management frameworks across the financial sector.

The specifics of these regulatory measures and risk management priorities are outlined in the annual FINMA Risk Monitor[7] report, the most recent edition of which was published in November 2024. This publication serves as a cornerstone of FINMA's transparent communication with the industry and the public, offering a clear view of its supervisory focus and evolving priorities.

[7] https://www.finma.ch/en/documentation/finma-publications/reports/risikomonitor/

### Market access

In December 2023, Switzerland and the United Kingdom successfully reached a Mutual Recognition Agreement (MRA) aimed at improving regulatory collaboration and enhancing market access. This agreement has the potential to open up new opportunities for the asset management, private banking, and wealth management industries, as well as to provide stability.

The MRA enhances legal clarity for investment services, including portfolio management. Notably, it also permits firms to engage with certain sophisticated retail clients across borders in a streamlined manner. To facilitate this, the MRA establishes market access procedures, delineates client classifications, and specifies disclosure obligations.

## The future state of asset management in Switzerland

The Swiss asset management market is poised for growth in the future, with several key factors contributing to this positive outlook. The introduction of the L-QIF provides a flexible and efficient investment vehicle, attracting a broader range of qualified (professional and institutional) investors. Advancements in AI are streamlining operations and enhancing decision-making processes, leading to more innovative investment strategies.

Additionally, the recent MRA between Switzerland and the UK is set to open new avenues for cross-border financial services, further bolstering the market's expansion. These developments collectively signal a great chance of sustained growth in the Swiss asset management sector.

That said, challenges such as competition, fee pressure, and the regulatory desire for transparency has to be considered as well. These require local asset managers to revisit their target operating models, aiming to increase revenues and to manage costs. The combination of providing new services and products into existing or new markets and the use of AI can lead to such results.

In addition, market participants also have to stay on top of emerging regulation and upcoming changes this year. For example, new conduct obligations under FinSA/FinSO came into force on 1 January 2025 in the form of a new FINMA circular. Furthermore, the finalized Basel III rules have resulted in revised capital requirements for banks, and a new audit regulation will introduce new requirements regarding the regulatory audit of financial service providers.

In 2025, we can expect further initiatives and legal developments across a broad range of fields. These will include but are not limited to changes relating to:

- The organisation of the financial market (e.g. through a partial revision of the Financial Market Infrastructure Act)
- Governance requirements (through the entry into force of the provisions on operational resilience from the circular on operational risks)
- Sustainability considerations (through amendments to the Swiss Code of Obligations, the entry into force of the Climate Protection and Innovation Act, the FINMA Circular on Nature-Based Financial Risks and the enactment of new ordinances on reporting and selfregulation)
- The prevention of money laundering (through the drafting of a new law on the transparency of legal entities), as well as
- Tax aspects (to name just one example, the consultation on the extension of the international automatic exchange of information in tax matters of crypto assets).

Overall, with its robust regulatory and favourable tax framework, coupled with enduring political stability, Switzerland stands out as a premier global destination for financial services and asset management.

These factors, alongside with a tradition of quality and professional banking services and a commitment to innovation, continue to bolster the country's reputation as a top-tier financial hub.

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# Navigating new complexities

In an ever-evolving financial landscape, asset managers are at the forefront of innovation. Seize the moment to meet investor demands with solutions that not only comply with regulations but also satisfy your clients' expectations.

KPMG is a market leader in advising, auditing and structuring collective investment schemes. Having gained extensive knowledge and experience both in traditional and alternative investments, we can assist you in designing an approach tailored to your needs.

Partner with us to master the intricacies of the market and transform your business for unparalleled success.

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