FONDATION GENÈVE PLACE FINANCIÈRE

GENEVA FINANCIAL CENTER

ANNUAL REPORT

2017

The Geneva Financial Center

Established in 1991 by the 80 banks that were members of the Geneva Stock Exchange, the Geneva Financial Center (GFC) is the umbrella association of the financial sector. The sector generates 35,600 jobs and accounts for 12% of Geneva's GDP. It is based on three pillars: private and institutional wealth management, commodity trade financing and commercial and retail banking. With the presence of activities such as shipping and inspection, Geneva has emerged as an economic cluster with a unique concentration of skills. The central mission of the Geneva Financial Center is to support this value chain and contribute to the development of an optimal business environment for all financial center partners.

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Message from the President

Let's create the finance of the future together!

This activity report provides an overview of the main issues that were addressed by the Geneva Financial Center (GFC) and their progress over the past twelve months.

The financial center has probably changed more in the past ten years than in the entire previous century. It has had to contend with a major paradigm shift in the fields of tax and regulation. During this period, the center has proved highly resilient thanks to its diversity and ability to innovate. Published by the Geneva Financial Center, the economic survey 2017-2018 (see p. 5) shows that with the settlement of the past is no longer a central concern. The financial and banking establishments are now focusing on developing strategies for the future. The banking sector is still making a key contribution to Swiss GDP (9.1%) and cantonal GDP (12%).

In the past year, the GFC focused its efforts on ensuring that everything was done in Geneva, and in Switzerland, to make the financial center even more competitive and enable it to continue to play its role as a driving force of the economy.

With this in mind, the GFC has intensified its outreach to the cantonal authorities, in particular to the Councilors of State in charge of finance and the economy, namely Mr. Serge Dal Busco and Mr. Pierre Maudet. 2017 was an opportunity to begin reflecting on professions for the future, especially in the FinTech field, thanks to exchanges with influential leaders such as Professor Martin Vetterli, President of the Federal Polytechnic School of Lausanne (EPFL).

At the international level, a dialogue was also established with Mr. Joachim Son-Forget, member of the French National Assembly responsible for French citizens living in Switzerland and Liechtenstein, and with Mr. Jörg Gasser, State Secretary for International Finance. During these meetings, the issue of access to foreign markets was highlighted, since it is of such vital importance to our financial center.

Commitment and conviction

Our economic partners also received our full attention. In fact, networking based on a shared conviction remains the key contributory factor to the success and future of our financial center. The Canton of Geneva has a major advantage: its financial center forms a cluster combining asset management, trading and financing of commodity trading, marine freight and inspection, as well as a very dense network of multinationals. These interdependent links form a value chain that is unrivalled anywhere in the world. The presence of international organizations, combined with high-level university research, makes the region even more attractive.

In 2017, the GFC was particularly active in supporting measured and differentiated regulations, compliant with international standards (see p. 6) on the one hand, and the vital corporate tax reform, now known as "Fiscal Project 17" (FP 17) (see p. 9) on the other hand. A shared commitment on both these issues by all the stakeholders in the economy is essential.

The desire to harness energies led to the creation of an Association de Soutien à la Fondation Genève Place Financière (ASFGPF) which was set up in 2016 (see p. 25). The General Meeting was held on November 27, 2017 in the presence of Mr. Mark Branson, Director of FINMA.

On that occasion, aware of the fact that diversity is a key asset in competition, the supervisory authority presented its initiatives in favor of regulation and supervision with a greater focus on risks to members of the ASFGPF. This pragmatic vision seeks to implement the principle of differentiated regulation, depending on the size of the establishments concerned.

The Federal Financial Services Act (FFSA) and the Federal Financial Institutions Act (FinIA) (see p. 7) have enabled the progress made in adopting regulations which are in line with established practice to be measured. After a chaotic start in 2015, this project is now well on track. The tenacity

Yves MIRABAUD
President

of the financial players and parliamentarians must be welcomed. It certainly demonstrates that an area of agreement between all the players in the economy with a focus on competitiveness is a real possibility.

We hope that a similar concerted effort will lead to the practical implementation of FP 17. In fact, equal treatment of all businesses must be established and a transparent system implemented in the long term, which will gain widespread support at the international level.

Talent and innovation

The framework conditions are indeed central, but they could not be implemented without the 35,600 or so people who work in the financial sector in Geneva. Investment in training and attracting talent remains a priority, now more than ever.

The challenge is twofold because we must train both financial professionals to work in tomorrow's careers and at the same time, the young people who will take over from them in future. To that end, profiles must evolve to take account of the constant evolution of regulations and new technologies. This is not a technical issue but a substantive reflection on continuing training, as well as apprenticeship and academic education. That is why, here too, a partnership between economic and academic circles is essential.

In cooperation with Go-Apprentissage, the GFC has continued its visits to the cycles d'orientation and écoles de commerce in the Canton of Geneva to make students more aware of careers in finance, thereby encouraging them to apply for an apprenticeship (see p. 19). The financial sector therefore plays a full part in the strategy adopted by the Department of Public Education (DIP) which has made compulsory schooling until the age of 18 a priority.

The increasingly regulated environment of the wealth management sector shows the need to maintain the excellence of the talented people who are working in the financial center by providing continuing education facilities. To that end, SAQ certification in wealth management (see p. 18) has rapidly become an innovative standard.

The "Global Competitiveness Index 2017-2018" produced by the WEF has rightly placed Switzerland at the top of its ranking for the 9th year in a row, thanks to its education system. This ranking also shows that the ability to innovate is a vital contributory factor to greater competitiveness. In this context, the Geneva financial center is exploring promising possibilities such as FinTech (see p. 14), sustainable finance (see p. 15) and philanthropy. These three fields enhance the diversity of the financial center and attract new and complementary competences. They are therefore not only important growth drivers but also factors which set the Geneva financial center apart from other financial centers

In conclusion, the leading role played by enterprises in the sector, the political authorities and the world of education will enable the finance of the future to be created for the prosperity of our Canton.

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The Current Economic Situation

The Geneva Financial Center has conducted an economic survey of banks and independent managers in the financial center since 2002. The results obtained reflect their opinions and perception of the progress of the business environment and the outlook for the Geneva financial center.

The outcomes of the 2017-2018 economic survey indicate that financial intermediaries are looking to the future with greater confidence.

There are many encouraging signs. Since 2008, the financial center has proved highly resilient thanks to its diversity and ability to innovate. It is therefore hardly surprising that it should be one of the driving forces behind the Geneva economy by contributing 12% of cantonal GDP.

The first half of 2017 confirmed this upward trend. Almost three quarters of the major establishments reported an increase in their net profit. And for just under half of them, the increase was more than 15% above the 2016 figure. This positive trend goes hand in hand with the growth in assets under management, reflecting both the difference between new deposits and withdrawals and the change in market value.

As far as employment in the banking sector is concerned, the decline observed in 2015 and 2016 explains the current cautious attitude of the financial players. Between 2015 and 2017, the number of jobs fell by around 3% and now stands at 18,341 employees. A comparable reduction has been noted in employment in the financial sector in the broad sense of the term. However, the unemployment trend has remained stable again this year. This proves that the diversity of expertise that typifies the financial industry is also in demand in other branches of the economy.

The economic survey for 2017-2018 leads to the conclusion that the financial center's competitiveness and ability to innovate make a vital contribution to this success. To that end, three factors are essential: market access; a measured and differentiated approach to regulation in line with international standards (see p. 7); and an attractive tax system (see p. 9) based on a high degree of predictability and legal certainty.

The trend of net fund inflows observed in 2017 is largely attributable to clients who are resident abroad. Swiss banks are therefore first and foremost exporting businesses. In this context, improved access to foreign markets is a strategic priority. On this point, the economic survey for 2017-2018 confirms the role of the European Union as the banking sector's principal partner. In a scenario without easy access to this market, "front office" activities would be the worst affected. These jobs would no longer be created in Switzerland but in EU Member States, especially Luxembourg. The risk of relocation is therefore very real. The latest Banking Barometer of the Swiss Bankers' Association reveals that on September 1, 2017 the number of jobs in the banking sector in Switzerland had fallen by 971, while at the same time increasing by 283 abroad.

The economic survey reveals that apart from the international challenges, the players in the financial sector are worried about issues relating to corporate taxation in Switzerland. This factor is one of the key points of comparison between financial centers. The "Fiscal Project 2017" (see p. 9) answers the uncertainties created by the failure of the third corporate tax reform (RIE III) in February 2017. It is strongly supported by the GFC.

The survey results also show the future importance of FinTech. To find out more, the definition of the priority aspects necessary for the digital evolution to succeed was the subject of a specific question. In this field, the financial players attach particular importance to the continuation of constructive cooperation with the political authorities.

They also insist on the need for equal treatment to avoid any distortion of competition with companies working in innovative financial technologies. The ability to attract experts from abroad and the improved training (see p. 17) in Switzerland rank third and reflect the industry's expectations.

3

Framework Conditions

1. For a Competitive Legal and Regulatory Framework

"Sovereign money" initiative

The aim of the "Sovereign money" initiative is to adopt a monetary system in Switzerland that gives the National Bank absolute and direct control over the money supply; commercial banks would therefore be barred from creating money by granting loans. Only loans fully covered by savings deposits could then be made.

The text also provides for the direct distribution of newly created money by the SNB to the public authorities and citizens. This would be a radical reform of the existing system, which has not been tested anywhere in the world in this form. Any such contraction in bank credit supply would obviously result in higher interest rates, to the detriment of financing for the economy.

Then, there is the fact that this initiative would be a serious threat to the SNB's independence and its ability to pursue a monetary policy destined to guarantee price stability. Enormous pressure would, in fact, be exerted on the National Bank to prevent it from stopping new cash injections.

In February 2016, the Federal Council voiced its opposition to this initiative and decided not to put forward a counter-proposal. Parliament endorsed the Government's opinion. The referendum will be held on June 10, 2018. We can only hope that the Swiss people will overwhelmingly reject the dangerous experiment proposed by the "Sovereign money" initiative!

Let's not play the sorcerer's apprentice

Responsible multinationals initiative

The initiative "in favor of responsible multinationals" was tabled in the fall of 2016 by a coalition involving some 60 NGOs. It seeks to strengthen the provisions governing the responsibility of enterprises in the fields of human rights and the environment. This implies obligations in terms of risk assessment, measures designed to prevent breaches of human rights and damage to the environment, and the publication of full information about the actions taken.

The Federal Council published its Message on September 15, 2017. It recommends rejecting the text, without putting forward a counter-proposal. The Government takes the view that the mechanism of civil responsibility stipulated in the initiative goes too far and would be unique. The Federal Council prefers a concerted international approach (UN, OECD). Then, there is the fact that the initiative would be very hard to implement because of its extraterritorial nature, without guaranteeing any improvement in the situation of the population and environment in developing countries.

The text has now been presented to the Federal Chambers and a referendum is expected in 2019. Several members of parliament are considering the presentation of a counter-proposal.

Federal Financial Services Act (FFSA) and Federal Financial Institutions Act (FinIA)

The FFSA defines the conditions under which financial services and financial instruments may be offered to the public. The aim is to incorporate the standards set by the European MIFID II Directive, with the aim of seeking equivalence.

Following an eventful consultation process, the Federal Council published its Message in November 2015. The Government decided to remove the most controversial provisions, particularly in the field of civil proceedings (e.g. reversal of the burden of proof, introduction of an American-style class action, creation of a fund to cover clients' legal fees, even when they lose lawsuits, etc.).

The central element of the FinIA lies in the supervision of independent wealth managers (IWM). The various stakeholders reached a pragmatic compromise over the course of 2016: independent wealth managers will need to obtain authorization from FINMA, but day-to-day supervision will be carried out by one or more independent organizations, which have yet to be created. Banks will thus not be responsible for this supervision.

The Council of States adopted these two texts in its winter 2016 session. During the debates, the National Council voted in favor of all the demands put forward by the SBA, with one exception, namely the requirement for ordinances to be validated by Parliament.

We have now reached the stage of the procedure at which divergences have to be resolved. However, since the examination was not completed during the autumn 2017 session, the matter will not be considered again by the Council of States until the spring of 2018. Any differences that might still exist would then be eliminated at the 2018 summer session.

At the same time, five working groups led by the State Secretariat for International Finance (SIF) have been instructed to draw up the implementing ordinances.

In any event, entry into force of the FFSA and FinIA cannot be expected before 2019, or even 2020.

Towards differentiated regulation

On October 2, 2017, FINMA organized a "Kleinbankensymposium" (Small Banks Symposium) intended for establishments in categories 4 and 5. Discussions centered, in particular, on the leverage ratio, risk-based equity requirements and the external audit procedure.

One of the suggestions made by FINMA is that Category 4 and 5 establishments with no heightened risk or problematic past history should only need to undergo a regulatory audit once every two to three years. FINMA also intends to organize a pilot phase, involving a few banks, in 2018.

Regulations and technological change

On August 1, 2017, two measures adopted by the Federal Council through an amendment to the Banking Ordinance (BO) entered into force:

- The exception contained in the BO with regard to funds received for settlement will explicitly apply to transactions that are conducted within a 60-day time frame (rather than the current practice of seven days).
- The receipt of deposits from the public of up to CHF 1 million will not be considered a commercial activity and will require no authorization. The purpose of this provision is to allow companies to test a business model before applying for authorization.

FINMA has not been idle in this field. At the beginning of 2018, it initiated a review of its Circular on opening an account online. Under the rules in force at present, opening a bank account online requires funds to be transferred from a Swiss bank. This requirement restricted access to this innovative solution to clients who already held an account in Switzerland. This restrictive approach was not compatible with the needs of our financial center, whose main focus is on an international clientele. The practical approach adopted by FINMA to remove this obstacle is a welcome development.

In February 2018, FINMA also published a practical guide to clarify the rules governing Initial Coins Offerings (ICO). "Tokens" are divided into several categories according to their use. Payment tokens are covered by the anti-money laundering rules and those laid down for investments must meet the criteria concerning the trade in transferable securities (compulsory drafting of a prospectus etc.).

A shared commitment and a pragmatic vision of regulation remain key success factors

Data protection

On September 15, 2017, the Federal Council tabled its message concerning the total overhaul of the Federal Data Protection Act (FDPA). The draft law aims to strengthen data protection, in particular by improving transparency of the processing of such data and the control exercised by the person concerned. It also seeks to maintain equivalent levels of protection between Switzerland and the EU. Lastly, it aims to maintain and strengthen Switzerland's competitiveness by creating an environment conducive to the facilitation of cross-border data flows, by favoring the emergence of new economic activities related to the digital society, which requires a high standard of internationally acknowledged protection.

The appropriate Commission of the National Council addressed the matter in January 2018 and decided to adopt a two-stage approach. First, it intends to adapt Swiss law in respect of the criminal aspect of personal data processing, in order to make Swiss legislation compliant with the Schengen Agreements. An in-depth review of the FDPA will then follow at a second stage. This phased treatment may prove problematic for many Swiss enterprises that come into contact with European clients. These companies will, in fact, need to comply with the EU's General Data Protection Regulation with effect from May 25, 2018. The process leading up to a thorough review of the FDPA cannot therefore be drawn out indefinitely. In this context, any "Swiss finish" will also have to be avoided.

Implementation of the FATF Recommendations

On December 6, 2016, the Financial Action Task Force (FATF) published its 4th Mutual Evaluation Report on Switzerland. Our country obtained a good overall result, better than the average for the countries that had been assessed previously. Switzerland is deemed to be fully or generally compliant with 31 out of 40 Recommendations. In addition, the FATF identified no fundamental failings but noted several weaknesses in the system, in particular the fact that the Anti-Money Laundering Law (LBA) does not apply to lawyers, notaries and accountants with regard to certain non-financial activities, such as the creation of companies and trusts. Furthermore, given the size of the Swiss financial center, the number of suspicious transaction reports is considered to be too low. Lastly, the co-existence of the right and obligation to communicate is a source of confusion.

This assessment report has already led to several initiatives with regard to regulation and self-regulation: :

- Revision of the FINMA Anti-Money Laundering Ordinance (AMLO): in September 2017, FINMA initiated a hearing on a draft review of the AMLO-FINMA. According to this text, financial intermediaries must verify information about the beneficial owner, even in the case of clients with normal risks. They must also update this information regularly. This review also embodies the requirements placed on financial intermediaries who have branches or groups abroad with regard to their overall management of legal and reputational risks. Lastly, FINMA intends to lower the threshold applicable to cash transactions and subscriptions to non-listed collective investments to the level required by FATF, namely CHF 15,000.
- Revision of CDB 2016: it had only just been adopted when CDB 2016 ("Swiss banks' code of conduct with regard to the exercise of due diligence") was the subject of a review procedure concerning, in particular, the identification and verification of
  1) the controlling owners (Article 20 CDB),
  2) the beneficial owners (Article 27 CDB),
  3) persons involved in legal structures (Article 40 CDB).

3

Framework Conditions

2. For an Attractive Tax Sytsem

In Switzerland

The Geneva Financial Center (GFC) monitors tax-related issues closely, as Switzerland's international competitiveness and appeal depend largely on the fiscal framework it is able to offer corporations and individuals.

Corporate taxation

Fiscal Project 17 (FP 17)

Federal component

On February 12, 2017, the Swiss people rejected by almost 60% the Federal component of the third Corporate Tax Reform (CTR III).

The Federal Council immediately resumed work on this issue. It developed a new project called "Fiscal Project 17 (FP 17)" on the basis of the guidelines defined by a working group bringing together the Confederation and the cantons. On September 6, 2017, the Government launched a consultation procedure of the interested parties; this was completed on December 6, 2017.

After assessing the opinions expressed, the Federal Council published its Message on March 21, 2018. The main elements of the reform can be summarized as follows:

- Dividend tax is raised to 70% at Federal and cantonal level for natural persons. This feature has come in for criticism in some economic circles, including USAM (Union Suisse des arts et métiers).
- The cantons are required to introduce the "patent box".
- The cantons may impose a supplementary deduction for research and development.
- The cantonal share of Direct Federal Tax (DFT) rises from 17% to 21.2%.
- The interests of towns and municipalities must be taken into account in the allocation of this redistribution of the DFT (it should be recalled, in this regard, that many towns had opposed CTR III).
- Family allowances, financed by the employer, rise by CHF 30 per month to reach a minimum threshold of CHF 230. This measure would have no impact on the cantons of Geneva and Vaud because the amounts paid under this heading already far exceed this threshold.

Among the items that were not adopted, special mention must be made of the NID, "notional interest deduction". There was entrenched opposition to this in the RIE III context.

It is now up to Parliament to examine these proposals. Time is short because in December 2017, the EU placed Switzerland on a grey list of States that have given fiscal undertakings but had so far failed to respect them. Even if this European list is tainted by hypocrisy, it is still worth pointing out that Bern gave an undertaking to Brussels in 2014 to abolish the cantonal fiscal statutes.

Cantonal component

On November 1, 2017, the Vaud Council of State announced its intention of applying the cantonal component of the tax reform, which had been approved by 87% of the citizens in a March 2016 vote, with effect from January 1, 2019. In practice, this means that the single rate of 13.79% will be applied from that date, without waiting for the adoption of the Federal component of PF 17.

In Geneva, there is no plan to anticipate the entry into force of PF 17 at cantonal level. Entry into force is accordingly envisaged for 2020. Until that date, the ordinary rate of 24.2% will therefore be applied. Then, there is the fact that no clear resolve to reach an agreement comparable to the Vaud solution is detectable in the political debate at this stage.

Companies based in Geneva will obviously not be willing to accept tax conditions that are less favorable than those in the neighboring canton of Vaud for any length of time

PF17: failure is out of the question

Federal Act on the Tax Treatment of Financial Penalties

On December 18, 2015, the Federal Council initiated a consultation on the Federal Act on the Tax Treatment of Financial Penalties.

This highly controversial draft law raises issues of principle as to the extent to which decisions on tax matters pronounced abroad should be enforced in Switzerland (from the perspective of arbitrariness in particular).

The concept of corporate criminal liability under Swiss law must also be taken into account. In fact, pursuant to Article 102 of the Swiss Criminal Code, a corporate entity may be found criminally liable only on the grounds of a lack of organization and the resulting fine must not exceed CHF 5 million.

On March 21, 2017, the Council of States' Committee for Economic Affairs and Taxation (CER-E) agreed to study the draft law. After postponing a decision on this matter several times, it spoke out in January 2018 in favor of the deductibility of fines, pecuniary penalties and administrative sanctions imposed by a foreign authority in tax matters.

Unfortunately, this judicious decision was not confirmed by the plenary session of the Council of States, which reverted to the version proposed by the Federal Council. The matter will now be placed before the National Council. We can only hope that it will accept the principle of deductibility of sanctions imposed abroad!

Individual taxation

Initiative on the protection of financial privacy (Matter initiative)

This initiative aims to maintain banking secrecy in tax matters for private clients living in Switzerland. For the record, the initiative had been launched to oppose Federal Councilor Eveline Widmer-Schlumpf's intention of strengthening criminal tax law by adopting binding measures.

Both the Swiss Bankers Association (SBA) and the Federal Council recommended the rejection of this initiative without presenting a counter-proposal.

After a series of twists and turns during 2017, the movement gathered pace in early 2018. The Federal Council announced the outright abandonment of the revision of criminal tax law; that enabled the initiative to be withdrawn. At the same time, the National Council withdrew its counter-proposal, thereby putting an end to the saga.

Attacks on the tax shield in Geneva

In an inter-cantonal comparison, Geneva has a particularly progressive system for the taxation of natural persons. In fact, some 50% of all income tax is paid by just 7% of taxpayers. Moreover, 85% of wealth tax revenue is generated by 4.3% of taxpayers. In order to correct this competitive disadvantage to some extent, the canton introduced, on the basis of a referendum, a tax shield mechanism comparable to the arrangement that already exists in the cantons of Vaud, Bern and Valais. This shield enables Federal, cantonal and municipal taxation to be limited to around 70%.

The Geneva left thought fit to simultaneously table some 10 draft laws seeking to suspend or even abolish the tax shield mechanism. The immediate consequence of the adoption of these texts would be an exodus of major Geneva taxpayers towards more clement fiscal climes, beyond the cantonal border.

It is therefore to be hoped that Parliament and, if appropriate, the people of Geneva will prove reasonable and reject these draft laws, which are synonymous with confiscatory taxation.

At international level

Peer review by the Global Forum on Transparency and Exchange of Information for Tax Purposes

In July 2016, Switzerland successfully passed the peer review by the Global Forum and was rated "largely compliant" with regard to the exchange of information.

Among the positive points, the Global Forum mentioned with regard to the Tax Administrative Assistance Act (TAAA), the existence of an exception to the notification of taxpayers who are subject to a request for information, as well as the extension of the Double Taxation Agreement (DTA) network. It also welcomed the staff increase to ensure efficient cooperation.

The Global Forum expressed reservations about bearer shares, despite the measures already taken by our country. Regarding the assistance requested on the basis of stolen data, reference is made to the Message on the revision of the TAAA forwarded to Parliament on June 10, 2016.

In order to take account of these remarks, the Federal Council launched a consultation procedure in January 2018, which included the following aspects:

- The proposal provides for the compulsory conversion into registered shares of the bearer shares of non-listed companies.
- Provision is also made for the introduction of penalties against shareholders who are in breach of their obligation to disclose the beneficial owners or against companies which fail to respect their obligation to keep lists of shareholders and beneficial owners.
- The draft law also contains provisions on the confidentiality of requests for administrative assistance.
- The subject of applications based on stolen data is not covered by this consultation but will be included in the Message to be placed before the Federal Chambers at a later date.

Parliament is due to examine this matter in the winter of 2018; the next review of Switzerland by its Global Forum peers is expected to begin in the 2nd half of 2018.

Introduction in Switzerland of the international standard for the automatic exchange of information

In May 2014, Switzerland declared its intention of applying the standard drafted by the OECD for the Automatic International Exchange of Information in Tax Matters (AEOI).

Since then, our country has taken all the necessary steps to put this proposal into effect. First of all, Switzerland had to join the various international conventions which lay down the framework for this cooperation, after which an ad hoc Federal law had to be adopted.

Legislative work continued with the ratification of a treaty with the European Union, which came into force at the beginning of 2017. At the same time, the Swiss government pursued bilateral negotiations with several States, with a view to the implementing the AEOI.

Following these various diplomatic steps, Switzerland gave an undertaking to implement the AEOI with 38 States and territories with effect from 2018.

Continuing along these lines, the Federal Department of Finance launched two new rounds of consultations on December 1, 2016 and February 2, 2017, covering the introduction of the AEOI with 21 and 20 new States and territories respectively.

The countries concerned include, in particular, South Africa, Saudi Arabia, Argentina, Mexico, Colombia, India, China, New Zealand and Russia.

In principle, the financial center expressed a favorable opinion on enlarging the AEOI, in particular to the Member States of the OECD and the G20. However, it did ask for precautions to be taken to prevent abuse.

The Federal Council listened to these concerns and adopted a Decree including a verification mechanism, which lays down the criteria that the Administration will need to check before data are sent for the first time in 2019. In particular, it must determine whether:

- the partner State clearly respects the principle of specialty, confidentiality and data protection in compliance with the OECD standard;
- the partner State must have its own adequate network of partner States, including the main financial centers that compete with Switzerland;
- persons concerned by the exchange of data run the risk of proceedings in the partner State that might lead to serious breaches of human rights.

In December 2017, following various incidents surrounding the treaties with Saudi Arabia and New Zealand, the Federal Chambers finally approved the AEOI with the 41 States selected by the Government, with a view to entry into force on January 1, 2018.

On October 13, 2017, the Federal Council launched a consultation procedure concerning agreements on the introduction of the AEOI with Hong Kong and Singapore. The deadline for a position statement on this matter expired on January 27, 2018.

To the extent that two financial centers that are direct competitors to Switzerland are concerned, the controlling mechanism referred to above will assume special importance in relation to the notions of a level playing field and data protection.

AEOI: final verification before implementation

4

Communication & Promotion

Media relations

On October 10, 2017, the Geneva Financial Center (GFC) invited representatives of the Swiss and foreign media to its traditional press conference.

This event was widely covered by the Geneva press and also by the German-speaking and international media. Journalists' interest focused on two issues: the confidence regained by the financial players in the light of the results of the 2017-2018 economic survey (see p. 5) and the importance of training, in particular apprenticeships and continuing education, in order to comply with the new regulatory standards and respond to the digital transition in the banking sector. Innovation was also the subject of media comments, with a positive consideration of the measures taken by the financial industry in this field.

These subjects were presented by Yves Mirabaud (President), Pascal Besnard (Board Member) and Edouard Cuendet (Managing Director). All three speakers shared the same message. The banking sector makes a decisive contribution to Swiss GDP (9.1%) and to Genevan cantonal GDP (12%). To enable it to continue to play its driving role in the economy, the GFC is working on the definition of favorable framework conditions. These aim to strengthen competitiveness, attract talent and develop the capacity for innovation.

In this context, the media also welcomed the resilience of the Geneva financial center and its ability to define strategies for the future.

Dealing with the past is no longer a central concern, and financial as well as banking institutions are now focused on developing strategies for the future

Social media

In 2017, the Geneva Financial Center (GFC) implemented a strategy designed to improve its presence and profile on social media. Aware of the importance of these media, which are a vehicle for communication on a par with conventional media, the GFC targeted its efforts on Twitter and LinkedIn.

Creating a profile on the social network with the blue bird has enabled the GFC to develop a community that takes an interest in subjects relating to the Geneva Financial Center. This is where banking players, economic associations, opinion leaders, personalities from the political and academic world, students and prominent citizens meet to communicate, exchange information and share views. At present, the audience comprises 70% men and 30% women, mostly aged between 25 and 34. Through "#GFC", the Geneva Financial Center intends to bring together all the relevant information about the financial center. Thanks to the creation of lists, our subscribers are able to gain rapid access to pertinent information about finance, the economy and FinTechs.

Initiating encounters, broadening professional prospects and opening doors: the presence of the GFC on LinkedIn involves regularly disseminating news about the center. The GFC corporate page includes articles and interviews specifically created for LinkedIn and supplements Twitter and the institutional website www.geneva-finance.ch.

Events

Assises de la Place financière

The Annual Conference of the Financial Center is an event dedicated to the staff of banks and financial institutions based in Geneva. The theme chosen for 2017 was the integration of generations Y and Z into the world of work.

Generation Z follows on from generation Y, habitually referred to as the "millennials", who are already actively employed. As ultra-connected generations typified by very different codes, habits and specific features, their integration into the business environment presents a serious challenge to human resources managers as well as to the other members of staff who will have to work with them.

Dr. Olivier Revol, a neuropsychiatrist and child psychiatrist, Head of the Center for Learning Difficulties at the Neurological Hospital of Lyon, gave a fascinating lecture, throwing a light on the pragmatic aspects. His presentation was followed by a lively question and answer session.

430
participants attended the
2017 Annual Conference

"Digital Economy" Forum

The 3rd "Digital Economy" Forum was held on Friday, November 10, 2017 at the Fédération des entreprises romandes (FER). Intended for corporate executives and heads of information technology and digital transformation, this meeting focused on the challenges of online selling and the arrival of new technologies at physical sales outlets.

Organized in partnership with the Canton of Geneva, the FER, the University of Geneva (UNIGE) and the GFC, the workshops offered on this occasion provided an opportunity for a useful debate on the challenges generated by the digital transformation of the retail trade.

By co-organizing the workshop entitled: "What points must be borne in mind before launching online sales?" the GFC helped to provide valuable information about the integration of new technologies, such as blockchain, into payment methods.

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Partenships and support

Sustainable Finance Geneva (SFG): “Financial innovations for global challenges”

The mission of the Sustainable Finance Geneva (SFG) association is to promote Geneva as a platform for sustainable finance in French speaking Switzerland while also engaging in a constructive dialogue with all stakeholders. It provides many sources of information and organizes events intended for its members, as well as for firms that operate in French-speaking Switzerland.

In September 2017, with the cooperation of the Geneva Financial Center (GFC) and the City of Geneva, the SFG published a book entitled “Financial innovations for global challenges”. Drawing on the expertise of 40 professionals, this work highlights 60 innovations that have contributed to the development of the sustainable finance sector. These innovations, which are both inspirational and representative of the rapid evolution of this market, concern in particular blockchain, green bonds and micro-finance.

This work explores the territories of sustainable innovation and shows how the Geneva center can look forward to a sustainable future thanks to its special attributes

Hosting the headquarters of some 220 businesses and organizations operating in this sector, Switzerland has created a climate that is favorable to the development of innovative products in the area of sustainable finance. In that context, this work gives the reader a practical idea of the possibilities that have opened up in this field.

As the reference financial center for wealth management, Geneva has been able to grasp this opportunity and create a particularly welcoming environment for the expansion of sustainable finance. This contributes to the diversity of the financial center and is a subject of central concern to businesses operating here. This is why the GFC has been giving its emphatic support to the Sustainable Finance Geneva association since 2008.

For nearly 20 years, many financial establishments have turned their attention to responsible investment strategies. The majority of them have signed the Principles for Responsible Management s devised by the United Nations. This enthusiasm is explained by the wide range of criteria for implementation, which can be adapted to various investment strategies. The main challenge for the Geneva financial center consists in simultaneously focusing on the production and distribution of products associated with sustainable investment.

The GFC has signaled its commitment to the book in an editorial signed by Yves Mirabaud.

This support continued with an address by Marc Pictet on the occasion of the launch evening. By calling attention to the close links between sustainable finance and the competitiveness of the financial center, Marc Pictet reminded the audience that this market is not just an important growth driver but also a vehicle to differentiate Geneva from other financial centers.

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Education & Training

Encouraging excellence

Careers in finance essentially involve dealing with other people; the criteria in terms of education – basic, university or continuing – are the cornerstone of the quality of the services provided by Swiss banks. Education is therefore a major challenge for the GFC, which has made it a priority. Although it does not itself act as a trainer, the GFC ensures that the training offered corresponds pragmatically to the requirements of the banks and financial institutions in the center.

University education: permanent public-private partnership

Support for the Geneva Finance Research Institute (GFRI)

The quality of the talent which makes up the Geneva financial center is explained by the diversity of the educational and academic pathways followed by the people involved. Through the GFRI, the Geneva Financial Center (GFC) supports the University of Geneva by rewarding the student who has obtained the highest average mark overall in the Master of Sciences degree in Asset Management. This year, the Geneva Financial Center Prize went to Nathalie Jennifer Meier, who gained the excellent overall average of 5.38 and whose research paper is entitled "FINMA criteria for banking governance: new circular 17|1".

In addition, the GFC supports the "Finance Seminar Series". Given by eminent experts in their fields drawn from prestigious universities, these lectures have helped to throw light on topical issues in the field of finance.

Nathalie Jennifer Meier,
winner of the Geneva Financial Center Award

SAQ Certification

The increasingly competitive and regulated environment of the wealth management sector demonstrates the need for the establishments operating in the Geneva financial center to maintain the excellence of the talent present here by providing suitable training. To that end, continuing education and certification of client advisors is an appropriate response, consistent with the realities encountered in the field. In this particular context, the SAQ norm, recommended by the Swiss Bankers' Association (SBA), has become a standard that is valued by the profession. This new reference for competences proposes two certifications for Certified Wealth Management Advisors (CWMA, domestic and international markets), in order to take better account of the specific character of banks operating abroad. This is a particularly judicious choice for the Geneva center, which serves an international wealth management clientele on a large scale.

In 2017, over 700 client advisors qualified for SAQ certification with accredited service providers, three of whom are in Switzerland. These are the international Fitch group, the Swiss Finance Institute and the Institute for Studies in Finance and Banking (ISFB). Based in Geneva, the latter offers customized training programs designed to prepare for certification.

The proactive response of banking and financial establishments to the innovative solution represented by this norm, in particular with regard to the new regulatory provisions, demonstrates the financial center's ability to formulate convincing replies to present and future challenges.

Participation in the Board of the Institute for Studies in Finance and Banking (ISFB)

As a key player in continuing education in the banking and financial sector, the ISFB also helps to maintain the competitiveness of the Geneva financial center. The GFC participates in particular through the presence of Michel Juvet as President, Blaise Goetschin as Vice-President and Edouard Cuendet as an active member of the Board.

Choosing a career

When they move up to secondary level II, pupils must choose their future course of training. To give them a full knowledge of the facts at this key stage of their education, the GFC has become heavily invested in public-private partnerships in order to familiarize the young people concerned with the wide variety of job opportunities in banking and the different courses available to access these careers.

Presentation of Go-Apprentissage

With an extremely high success rate in accessing the world of work, apprenticeships make an important contribution to the success of the Swiss economy. That is why the GFC stresses the value of such courses to pupils in the 11th year of Harmos. For the second year in succession, presentations designed to promote banking apprenticeships were given to the cycles d'orientation at Renard, Foron and more recently Cayla, in January 2018. As had been the case in the previous year, young people were able to discover typical careers in the banking sector in an entertaining way and benefit from tips on putting together a solid application for an apprenticeship.

This second round of the Go-Apprentissage project confirms the success of a public-private partnership designed to highlight the value of this key course.

Presentation of EC traineeships in BEM

In October 2017, the GFC visited the Aimée-Stitelmann School of Commerce and General Culture (ECCG) to present EC traineeships in BEM to third-year pupils studying for the professional school-leaving certificate. The event gave young people the opportunity to discover the financial center through a few key numbers and a description of the recruitment procedures of the banks that offer this type of traineeship. The presentations were followed by a detailed question and answer session, enabling pupils to put questions directly to professionals from the banks in charge of this cohort.

Designed for pupils who are completing their business school studies, this course combines practical and theoretical banking experience. Lasting for 12 months and assuming success in the examinations, the EC traineeships in BEM lead to the vocational school-leaving certificate and the CFC.

EVENT

"Zoom métiers" – Career Information Event Banking and Finance 2017

The annual meeting for training courses leading to careers in banking was held on November 29, 2017 at the Office for Guidance, Vocational and In-service Training (OFPC). On this occasion, the Geneva Financial Center was presented briefly, followed by constructive exchanges of views between trainers and participants. In all, no fewer than 60 young people, attracted by job opportunities in the banking sector, put questions to recruitment professionals.

Cité des métiers 2018

The 2018 Cité des Métiers show will be held at Palexpo from November 20 to 25. As was the case with previous events, the banking sector will be represented by the GFC stand. Taking its inspiration from the banking district, visitors will be able to stroll down a street laid out as an informative and teaching pathway. They will be introduced to potential careers in the financial sector and given information about suitable training courses. Because of the wide range of career opportunities, young people do not always find it easy to obtain a clear picture. To help them and their parents make the right choice, the GFC will place particular emphasis on apprenticeships in the banking sector. To illustrate these opportunities and give students access to a privileged discussion partner, apprentices will be present on the stand to explain their own pathway and daily work in their respective establishments.

With a slogan geared to the future: "Map out tomorrow!", this edition of Cité des Métiers will be an opportunity to make young people more aware of issues that are gaining increasing importance at both national and international level, in particular sustainable finance and FinTech.

Cité des Métiers:
from November 20 to 25, 2018,
at Palexpo

Skills guidelines

The Geneva Financial Center is the only organization in Geneva that issues skills guidelines for the banking professions, developed in collaboration with experts from banks in Geneva. The members of the Human Resources and Training Technical Committee liaise between the GFC and the banks. The GFC publishes skills guidelines for the following professions:

- Management assistant
- Compliance officer
- Central register employee
- Commercial client advisor
- Back office bank employee
- Wealth manager
- Commodity trade finance relationship manager
- Portfolio manager
- Risk management specialist

Training Fact Sheets

A wide variety of interesting careers are available in the financial sector. However, it is not always easy to determine which educational pathway matches one's aspirations and career objectives. The GFC publishes a series of fact sheets that deal with the following areas:

- Economy and finance
- Management
- Banking operations
- Compliance, law, taxation and accounting
- International commodity trading

These fact sheets list the three training pathways that lead to a certificate or degree: full- time higher education, vocational training and continuing education

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The Board

The Geneva Financial Center was established in 1991 by the 80 member banks of the Geneva Stock Exchange, with the aim of promoting the development and influence of the financial sector in the Lake Geneva region. The Board serves the interests of all financial sector participants and therefore aims to represent their diversity.

Commercial and wealth management banks

Yves Mirabaud * (President)	Chairman of the Board, Mirabaud & Cie SA
Marc Pictet * (Vice-President)	Managing Partner, Banque Pictet & Cie SA
Christophe Hentsch	Managing Partner, Banque Lombard Odier & Cie SA
Guy de Picciotto *	President of the Management Committee, Union Bancaire Privée, UBP SA

Cantonal Banks

Blaise Gœtschin *	CEO, Banque Cantonale de Genève
Pascal Kiener	CEO, Banque Cantonale Vaudoise

Major Banks

Jean-François Beausoleil *	Director, Geneva Area, UBS SA
Pascal Besnard *	Area Manager Geneva, Managing Director, Credit Suisse SA

Foreign-owned banks

Jean-François Deroche* (since 20.04.2018)	CEO, CA Indosuez (Switzerland) SA
Benoit Dumont * (until 31.12.2017)	Chairman of the Board, JP Morgan (Suisse) SA
Franco Morra	Chairman and CEO, HSBC Private Bank (Suisse) SA

Partners

Robert-Philippe Bloch	President of the Vaud Bankers' Association
Michel Juvet	Managing Partner, Bordier & Cie, President of the Institute for Studies in Finance and Banking and of the Strategic Commission for the Banking Professions at the GFC
Xavier Oberson	Attorney-at-law with Oberson Abels SA
André Tinguely (since 07.04.2017)	President of the Ordre Genevois d'Expert Suisse

* Members of the Bureau

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The Secretariat

The Secretariat is responsible for implementing the strategic priorities defined by the Board.

Management, Accounting and General Administration

Edouard Cuendet	Managing Director
Teuta Sinani	Assistant

Communication

Chantal Bourquin	Head of Communications, Executive Officer

Promotion and Training

Margaux Ortiz	Project Manager (since 01.10.2017)
Sandrine Lamielle	Project Manager (until 30.04.2017)

General Services

Emmanuel Barciella	Manager (until 31.05.2017)

FINANCIAL SUPERVISION

- The funds held by the Geneva Financial Center are managed by UBS SA.
- Accounts are kept by Société fiduciaire d'expertise et de révision SA (SFER), Geneva.
- The accounts are audited by Verifid SA, Geneva.
- The accounts for 2017 were approved by the Board at its meeting on April 20, 2018.
- The Geneva Financial Center is a registered non-profit foundation.
- The Geneva Financial Center is subject to supervision by the Cantonal Supervisory Authority for Foundations and Pensions Schemes, Geneva.

PARTICIPATION IN OTHER ORGANIZATIONS

In 2017, the Geneva Financial Center sat on many external committees and boards, in particular:

- The Retail Banking Committee of the Swiss Bankers' Association
- The Public Affairs Working Group of the Swiss Bankers' Association
- The Board of the Geneva Tourism and Congress Foundation
- The Strategy Committee of the Geneva Economic Development Office
- The Board of the Institute for Studies in Finance and Banking
- The Coordinating Group for Activities that Promote Geneva

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Standing Committees

Banking Skills Strategic Committee

The Strategic Commi ee determines the educa on and training strategy of the Geneva Financial Center (GFC). Its members are senior execu ves of banking ins tu ons in the Lake Geneva area. The role of this Commi ee includes:

- defining strategies to develop the banking skills required by the Lake Geneva financial sector; promoting its training initiatives and materials in French-speaking Switzerland;
- collaborating with the Training Committee of the Swiss Bankers Association (SBA);
- regular meetings with the Head of the Department of Education and its staff in charge of continuing education;
- approving the GFC's education and training-related activities and ensuring their proper implementation;
- approving and amending the rules governing the accreditation of training courses in finance and banking by the GFC and the recognition of diplomas at cantonal level by the Department of Education.

Members:

Michel Juvet (President)	Bordier & Cie, Chairman of the Board of the Institute for Studies in Finance and Banking
Anita Belitz-Krasniqi	Swiss Finance Institute
Roger Bommer	Banque Lombard Odier & Cie SA
Christian Scherrer	Union Bancaire Privée, UBP SA
Edouard Cuendet	Fondation Genève Place Financière
Christian Donzé	Banque Cantonale Vaudoise
Dominique Fasel	Association vaudoise des banques
Christophe Andreani	BNP Paribas (Suisse) SA
Alastair Coull	Banque Pictet & Cie SA
Joan Merino	UBS SA
Olivier Mooser	Groupe Raiffeisen
Vincent Nicole	Credit Suisse (Suisse) SA

HR and Training Technical Committee

The HR and Training Technical Committee is composed of Human Resources and Training Managers from banking institutions in the Lake Geneva area. It is a consultative group, which identifies and addresses training needs in the banking and financial sectors. The role of this Committee is to:

- advise the GFC on the training needs and expectations of banking institutions;
- review the skills guidelines drafted by industry specialists;
- review applications for the accreditation of financial and banking training programs and, at the request of the Department of Education, advise on the recognition of qualifications at cantonal level;
- propose ac on plans to the Strategic Committee and respond to its requests.

Members:

Edouard Cuendet (President)	Geneva Financial Center
Christian Brunet	UBS SA
David Detrey	Banque Pictet & Cie SA
Maryse Gabbay	Credit Suisse (Suisse) SA
Antoni Gori	Banque Cantonale Vaudoise
Ofra Hazanov	Edmond de Rothschild (Suisse) SA
Romaine Jordan	Banque cantonale de Genève
Tony Quilleret	Union Bancaire Privée, UBP SA
Fabien Smadja	Mirabaud & Cie SA

Securities and Derivatives Committee

The Securities and Derivatives Committee represents members of the Swiss Stock Exchange from French-speaking Switzerland on the Zurich Securities Committee. Issues addressed by the Committee include trading rules, regulations, guidelines, new software versions and the strategic orientation of the SIX Swiss Exchange

Members:

Gery Brodier	Edmond de Rothschild (Suisse) SA
Xavier Gende	Banque Pictet & Cie SA
Claude Magnin	Banque Lombard Odier & Cie SA
Jean-Nicolas Muff	Banque Cantonale Vaudoise
Alexander Neil	EFG Bank
Pierre-Yves Piccand	Banque Cantonale de Genève
Robert-Wells Quinlan	Union Bancaire Privée, UBP SA

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Association de Soutien à la Fondation Genève Place Financière

The Association de Soutien à la Fondation Genève Place Financière (ASFGPF) was created in 2016 and brings together stakeholders in the financial center. As its name implies, its aim is to support the GFC and create closer links between financial center players.

Yves Mirabaud chairs the Association, whose Committee members are Pascal Besnard (Area Manager Geneva, Credit Suisse (Suisse) SA), Ilan Hayim (Chairman of the Board of Directors of Banque J. Safra Sarasin Ltd), Gabriele Odone (Market Head for Geneva, Banque Julius Bär & Co. Ltd), and Edouard Cuendet (Managing Director of the GFC). Membership of the Committee therefore reflects the diversity of the financial center.

Since its inception, the ASFGPF has experienced highly encouraging development and now has over 35 members.

Held on November 27, 2017, the General Meeting was an opportunity to welcome Mark Branson, FINMA Director. He reviewed the situation of the financial sector, ten years after the start of the financial crisis. In particular, he discussed the reasons why this crisis occurred and expressed his views on the development of the Swiss banking sector, which has shown great resilience. Benefiting from remarkable strength, the banks have implemented the measures necessary to meet the requirements for liquidity and equity capital. They are also closely supervised by FINMA.

Aware of the fact that diversity is a key factor in competition, the supervisory authority presented its initiatives with a view to regulation and differentiated supervision (see p. 6) to ASFGPF members. Mark Branson outlined three main strands: less complex regulations for establishments of modest size, exempting those that are least exposed to risk from certain requirements and reducing the frequency of regulatory audits to keep costs down. This pragmatic vision is designed to put the principle of proportionality into effect.

ASFGPF

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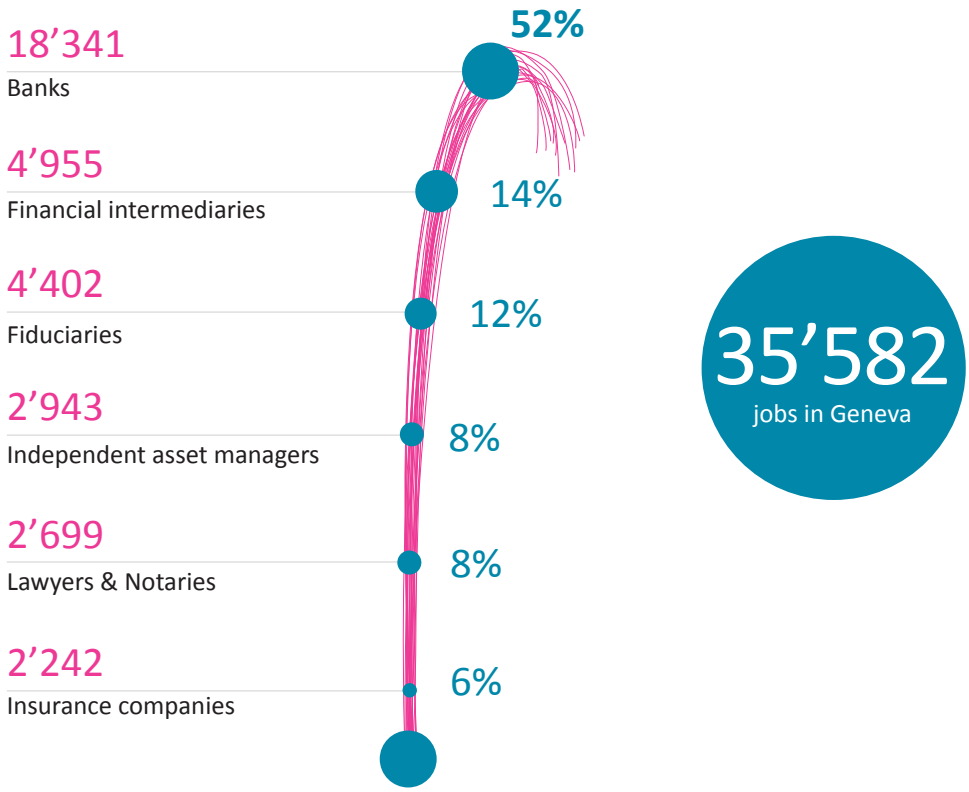
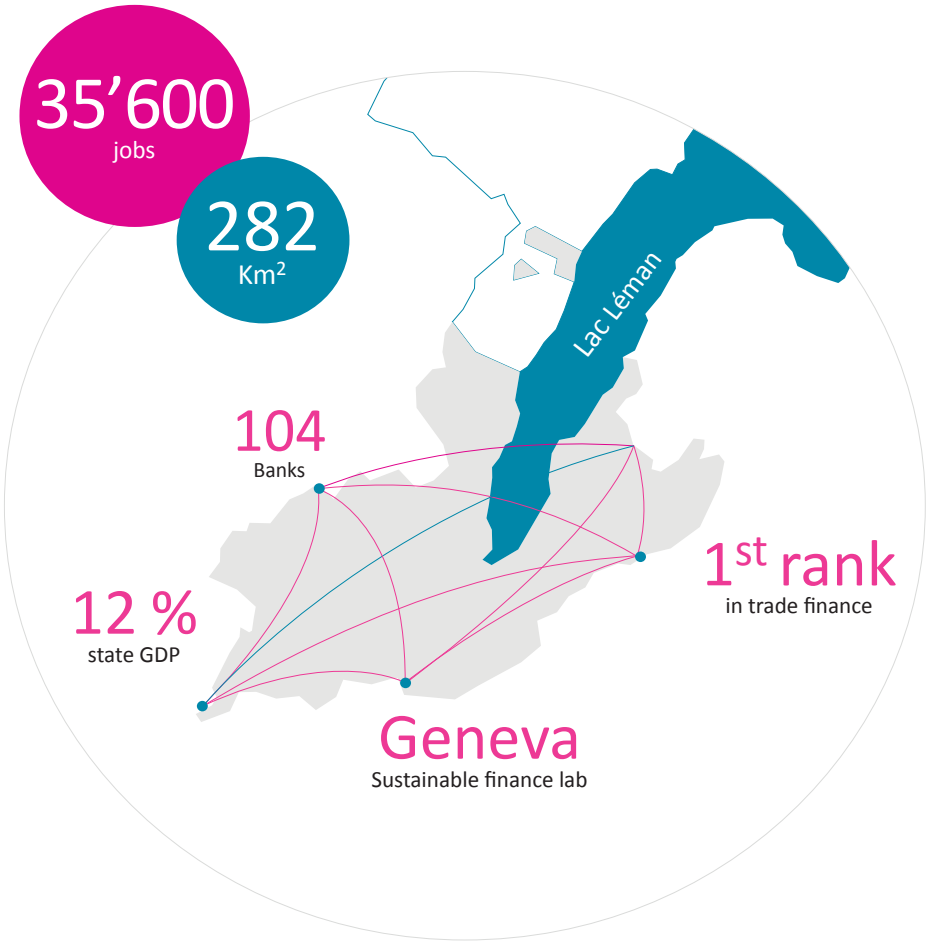
The Geneva financial center in figures

Number of employees in Geneva Financial Center



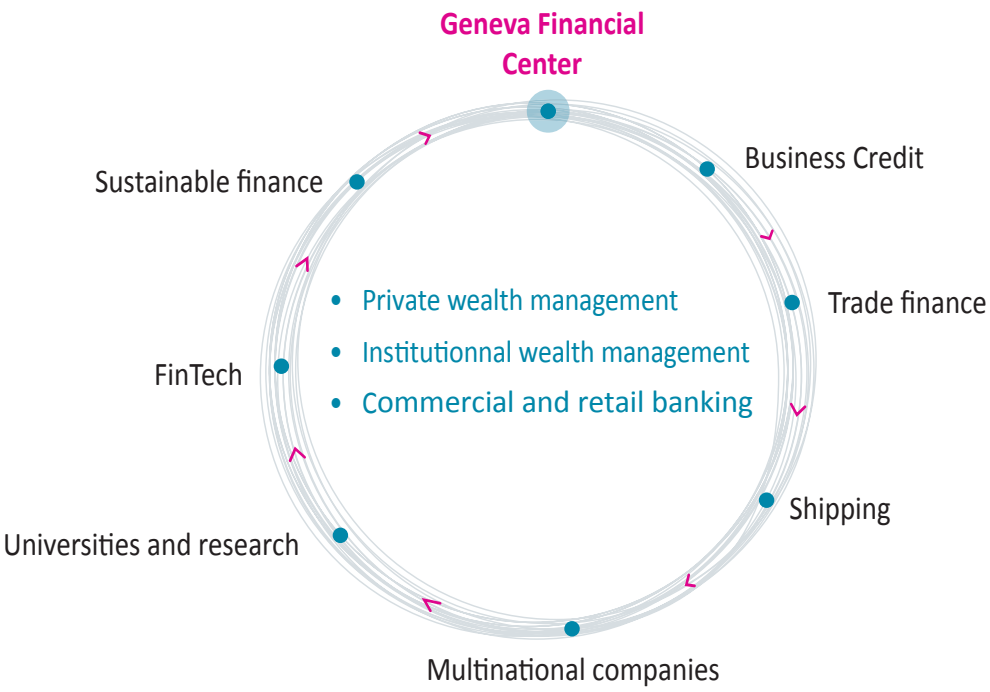
Sources : BNS ; FINMA, REG - Répertoire des Entreprises du canton de Genève - September 2017

The Geneva Financial Center



Cluster effect

The Geneva financial center enjoys an excellent international reputation due to a 500-year tradition founded on strict ethical principles. With the presence of activities such as shipping and inspection, Geneva has a center of excellence and an economic cluster that are unparalleled worldwide. For instance, wealth management provides assets for underwring commodity trading and credits. This creates a need for other services, such as shipping and inspection. These services in turn help attract numerous multinational companies. Last but not least, this unique value chain enhances the quality of universities and research and contributes to making Geneva a key player in sustainable finance.



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