

# 1

## A message from the President

For a competitive financial center

### Competitiveness, legal certainty and innovation: three essential and inseparable concepts

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

On January 1, 2015, I had the honor to be chosen to replace Nicolas Pictet as President of the GFC. I wish to take this opportunity to thank him for his hard work and dedication in championing a competitive banking sector during a particularly challenging time.

Over the past year, the GFC has boosted efforts to publicize the many advantages of the financial center. The canton of Geneva is home to an economic cluster that comprises wealth management, commodity trading, commodity finance, shipping and inspection, as well as a very dense network of multinational companies. This unique value chain has no equivalent anywhere else in the world. The presence of international organizations and high-caliber research institutes further enhances the region's appeal.

In order to ensure the continued success of the Geneva cluster, financial center participants and political authorities need to agree on a central fact: banking and finance contribute to the canton's prosperity and benefit the entire population of Geneva.

With that objective in mind, the Geneva Financial Center stepped up its contacts with the cantonal authorities, in particular the Councilors of State in charge of finance and the economy, Mr. Serge Dal Busco and Mr. Pierre Maudet respectively.

The themes of competitiveness, legal certainty and innovation are central to the debate. These three concepts are inseparable.

#### Competitiveness

In a globalized world, the Geneva financial center faces rivals who are prepared to go to any lengths to win market share. Geneva and Switzerland therefore need to offer a highly competitive legal and regulatory environment in areas as varied as prudential oversight, the ability to attract talented professionals, as well as individual and corporate taxation. The quality of infrastructures is also crucial, be it housing, mobility or air links.

#### Legal certainty

In order to stay in Geneva and expand their activities here, companies need to be able to count on a high level of predictability and legal certainty in all the above-mentioned areas.

However, uncertainty has increased over the past year. The causes are too numerous to list here, but include the implementation of the initiative "against mass immigration", adopted by the Swiss people on February 9, 2014. In the future, will the canton of Geneva still be in a position to attract the increasingly specialized skills that companies require?

In the field of banking law, will Switzerland adopt legislation equivalent to the regulations applied by its main trading partners to facilitate long-term access to foreign markets (See p. 6, Financial Services Act and Financial Institutions Act)?

Will the Federal Council actually consider market access as a crucial factor when negotiating the implementation of the automatic exchange of information in tax matters with third countries (See p. 11)?

Regarding corporate taxation, will the canton of Geneva manage to push through the corporate taxation reform (CTR III) which is essential to retain the economic cluster that ensures its economic



**Yves MIRABAUD**  
President

prosperity and provides jobs and tax revenue (See p. 9)?

With regard to individuals, will the attacks against taxation according to expenditure – which contributes CHF 150 million in cantonal taxes each year – ever cease (See p. 8)? This seems unlikely, as on June 5, 2016 the people of Geneva will be called on once again to vote on this question.

Furthermore, the Young Socialists' initiative "No speculation with foodstuffs" caused significant unease among commodity traders, who account for over 20% of Geneva's GDP and are thus the largest economic sector in the canton. Fortunately, the initiative was defeated on February 28, 2016.

The sheer number of issues that are creating legal uncertainty has several negative consequences. First, by discouraging companies from setting up or expanding their operations in Geneva, uncertainty slows down investment and job creation. Second, the ensuing political battles drain a large amount of energy that could be more usefully invested in more constructive and innovative projects.

In the opinion of the GFC, for the financial center to make the most of its many advantages, a positive resolution must be found to the questions raised above.

### **Innovation**

For the seventh consecutive year, the World Economic Forum (WEF) crowned Switzerland the most competitive country in the world. Nonetheless, the WEF also noted that in order to preserve the country's capacity for innovation the Swiss political authorities need to eliminate the current uncertainties. In banking and finance, as in all other sectors of the economy, innovation cannot be decreed. It requires a fertile environment in which to grow, one that is both competitive and legally stable.

The Swiss financial center in general, and Geneva in particular, pioneered FinTech (Financial Technologies) long before the term was invented, innovating in areas as diverse as retail banking payment systems, IT platforms catering to multiple financial service providers and applications for private clients. Digitization of specific activities is ongoing and has fostered the growth of several Geneva-based start-ups, especially in the promising field of data processing and protection.

In close collaboration with the Geneva Economic Development Office and local financial institutions, the GFC actively supports the development in Geneva of its own center of excellence in FinTech to complement the existing economic cluster.

In conclusion, the GFC will make every effort to vanquish the uncertainty in the legal, fiscal and regulatory areas which is affecting the financial center's competitiveness. The GFC is also committed to supporting innovations that contribute to the added value of a forward-looking banking and financial sector. These objectives can be fully realized only by maintaining and strengthening our close working relationship with the cantonal and federal authorities, as well as with the private sector. I take this opportunity to thank them in advance for their collaboration!