FONDATION GENÈVE PLACE FINANCIÈRE

GENEVA FINANCIAL CENTER

ANNUAL REPORT 2022

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 city's umbrella association for this sector, which generates 37,900 jobs and accounts for 12.4% of Geneva's GDP. The financial sector is based on three pillars: private and institutional wealth management, commodity trade financing, and commercial and retail banking. Few financial centres offer such a wide range of talent and such a dense network of finance-related activities: international lawyers, insurance and inspection companies, audit firms and shipping companies. This chain of expertise is instrumental in attracting numerous multinationals. The Geneva Financial Center's mission is to support this cluster, unrivalled anywhere in the world and to develop an optimal business environment for all its partners.

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Message from the President

The Geneva Financial Center: much more than just numbers!

This activity report gives an overview of the main developments in the issues handled by the Geneva Financial Center (GFC) in the past twelve months.

At the end of November 2022, it was my privilege to take over the Presidency of the GFC from Yves Mirabaud. I wish to take this opportunity to convey my warmest thanks to him for the eight years he spent resolutely and unwaveringly working towards a competitive financial sector.

It would be impossible to begin this Message without mentioning a major event that shook the entire Swiss banking sector to its very foundations. The date on which Credit Suisse was acquired by UBS - March 19, 2023 - will remain engraved on all our memories (see page 8). GFC took due note of the measures adopted by the Federal Council, the Swiss National Bank (SNB) and FINMA. It welcomes the aims and priorities defined by the Swiss authorities, namely the long-term stability of the Swiss financial centre, and protection of the Swiss economy and deposit holders, as well as the restoration of confidence of clients and markets in our financial centre. Above all, our thoughts go out to all the employees of Credit Suisse and UBS, in particular the 37,000 employees in Switzerland, including 1,700 in Geneva, who give their customers dedicated service day after day; we hope that the acquisition by UBS will bring them the necessary degree of certainty. This announcement came in a challenging international environment. Tensions surrounding the banking system linked to a liquidity crisis unfortunately spread across Europe and created anxiety as to the potential repercussions on the real economy. In order to maintain the attractiveness of the Swiss financial centre the presence of an international flagship is particularly important.

Value creation, stability and sustainability

The strength of the players in our Financial Center must also be emphasized. The annual results for 2022 published by the various institutions in the Geneva Center show that their equity and liquidity ratios far exceed the statutory minimums required by the Supervisory Authority. From a broader perspective, the banks, asset managers and other financial service providers performed in full measure the functions that are essential to our society, on a daily basis throughout last year. The Geneva Financial Center generates 12.4% of cantonal GDP and remains one of the biggest contributors to value creation in the canton. As real economic drivers, its players have in particular mobilized the capital needed for the development of enterprises, for their investments and for the implementation of their new business initiatives. They also showed a strong commitment to philanthropy and sponsorship.

The prominent role of the Geneva Financial Center on the international stage is largely attributable to its cross-border activities. Switzerland is the world-leading cross-border wealth management centre, with USD 2,400 billion in client assets under management, compared to USD 2,300 billion for Hong Kong and USD 1,500 billion for Singapore. Geneva is an integral part of the old continent since just under one half of the assets under management originate from European clients. But it is also connected with the financial centres of Asia and the Middle East, as is shown by the 2022-2023 economic survey conducted by GFC (see page 5), making it an indispensable wealth management hub.

However, the Geneva Center's high-level expertise is not confined to private and institutional wealth management. It also excels in commercial and retail banking and in commodity trade financing. Few rival centres can pride themselves on offering such a comprehensive range of banking services.

As a global player, the Geneva Financial Center grasps opportunities as they arise, especially in the field of asset management which benefits from strong growth potential. Ranking 4th among European countries, Switzerland manages 2,488 billion euros. The asset management activity in Geneva merits greater recognition. For this reason, the GFC has established an Asset Management Chapter. In addition, it has developed strong synergies with the Asset

Denis PITTET
President

Management Association Switzerland (AMAS) and accommodates this association's office for French-speaking Switzerland on its premises.

GFC also continues to forge ahead in sustainable finance (see page 20). Home to international and non-governmental organisations, large foundations, a leading university and unique private and institutional management skills, Geneva is among the prominent global hubs in terms of sustainability. A unique competence centre has been created by bringing together experts from the Swiss Bankers' Association (SBA) and AMAS within the GFC. These interactions are contributing to a faster green transition due to incentivizing regulation, an ambitious range of sustainable products and solutions, and the development of education and training. The "Building Bridges" event (see page 21), of which GFC is a founding partner, enables all the stakeholders to be included and progress in this innovative area to be consolidated.

Attractiveness cannot be decreed: it must be earned!

An entrepreneurial spirit focused on innovation must be backed by optimal framework conditions (see page 7), in terms of regulation, taxation as well as education and training (see page 25). However, the attractiveness of the Geneva Financial Center is being sorely tried by the wave of cantonal initiatives in the tax sector (see page 15). Geneva is not an island: it has to contend with intercantonal and international competition. It is living on a fragile fiscal pyramid since 4.2% of all taxpayers generate more than 48% of income tax, while more than 36% of taxpayers pay no income tax at all. The proliferation and frequency of these cantonal initiatives foster a feeling of uncertainty which is anathema to Geneva's attractiveness and economic prosperity. In order to make its concerns better known, GFC has strengthened its contacts with the Geneva Council of State and with the umbrella organizations that represent the economy. In particular, it has circulated position statements on the tax matters that are being put to the vote.

According to the 2023 Banking Barometer produced by Ernst & Young in January 2023, the banking sector is proving resilient and has now reached a turning point: as a consequence of the war in Ukraine (see page 7), high energy prices (see page 9), rising inflation and higher interest rates, the emphasis will in future be placed on cost-effectiveness, sustainability and talent management. The latter is in fact the foundation on which the Financial Center's success is built, and education and training (see page 25) are its cement.

There are several pathways to careers in finance: the majority of employees (43% according to the Swiss survey of the active population at the end of 2020) hold a university degree, while one quarter (27%) have taken a course of basic professional training (see page 27). In order to maintain their standard of excellence, the emphasis continues to be on continuing education. That is why the GFC ensures the provision of the widest range of training opportunities possible, by working hand in hand with all the service providers concerned, whether the University of Geneva, the Haute école de Gestion Genève (HEG) or the Institute for Studies in Finance and Banking (ISFB). These efforts have provided the impetus necessary for closer cooperation between the private and public sectors and have improved the quality of banking courses in Geneva. Fintech (see page 10) is an outstanding example. For 30% of banks and independent wealth managers, success of the digital transition must be accompanied by better education and training. Many courses have now been set up in the fields of commercial and retail banking as well as in wealth management; these are the activities in which employment trends associated with digitization are most apparent.

In conclusion, Geneva Financial Center cannot be summarized solely in numbers. It is founded on the diversity of its players and on the added value contributed by its 38,000 employees. GFC is tasked with identifying the needs of the sector, creating a stable environment and instilling a spirit of innovation. But today more than ever before confidence is key.

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The Current Economic Situation

The Geneva Financial Center has been conducting an economic survey of its banks and independent wealth managers since 2002. The results obtained mirror their analysis and perception of the progress of their business environment and the outlook for the Financial Center.

At the end of September 2022, the banking sector comprised 87 banks present in Geneva and employed more than 17,000 staff. More specifically, there were 22 commercial and wealth management banks and 50 foreign-owned banks. There were also over 700 independent wealth managers, more than 3,000 financial intermediaries, just under 500 insurance companies, over 1,300 trustees and accountants and more than 600 law firms and notary's offices. This great diversity allows the financial centre in the broad sense of the term to generate 38,000 jobs (6.5% more compared to the previous statistics dating from 2020). The financial sector accounts for nearly 12.4% of Geneva's gross domestic product (GDP).

The results of the 2022-2023 economic survey underline the strength and resilience of the players in the banking and financial services industries in Geneva in the face of geopolitical, energy and fiscal uncertainties.

In the first half of 2022, the majority of banking institutions and independent wealth managers reported higher net profits, with growth of more than 15% for over one-third of them. However, the big banks with more than 200 employees are more cautious as profits are slowing. This is hardly surprising given the short-term economic background. On the one hand, the first six months of 2022 were still severely affected by the health crisis. While the situation was considerably better in Europe, it deteriorated in China with a direct impact of the "zero Covid" strategy on that country's output. On the other hand, this period was characterized by a major geopolitical crisis, namely the war in Ukraine which broke out on February 24, 2022 (see p. 7). The economic survey therefore reflects this growing uncertainty, as well as relative resistance in the business climate.

This ambivalence is particularly apparent in wealth management activity, one of the three pillars of the Geneva Financial Center, together with commercial and retail banking, and commodity trade financing.

In general, the volume of assets under management is falling. The majority of banking institutions and two-thirds of independent wealth managers have seen a decline in their assets under management. This is mainly attributable to the stock markets, suffering the full impact of the war in Ukraine.

The state of health of the Geneva Financial Center can also be measured by the trend in net capital inflows. In a particularly challenging environment for investors, there are still several positive signs. Net capital inflows are generally stable. The Middle East and Asia remain key regions with rising fund transfers. European clients are also finding the Geneva Center attractive again. The two years of pandemic and the war in Ukraine have shaped a new and more fragmented world order. For twenty years, inflation remained weak and interest rates low, even negative. Today, this environment has given way to high inflation and rising interest rates, helping to offset the effects of a reduction in the volume of assets under management linked to market variations.

Players in the banking and financial services industries remained cautious in the second half of 2022. Against the background of the economic sanctions imposed on Russia (see p. 7), Switzerland has endorsed the packages of measures imposed by the European Union (EU). In applying

Following record results in 2021, optimism in the year 2022 has been cautious, due to the destabilization of the financial markets

For

62%

of institutions with over 200 employees, the trend in assets under management reflects the stock markets

these measures, the Swiss banks worked hard to analyse their databases and draw up a list of the persons and entities liable for sanctions. The 2022-2023 economic survey shows that the impact on players in the Geneva Financial Center is negligible as the majority of these clients are dealt with from Zurich.

Apart from the economic sanctions against Russia, the outbreak of the war in Ukraine led to even greater shocks on the energy markets. In order to guarantee the continuity of its operations, the banking sector did its utmost to ensure that its clients' assets would remain safe and accessible in the event of an energy shortage (see p. 9). However, the financial system is not an island and also depends on the resilience of its counterparts in other countries.

This interconnection likewise applies to access to foreign markets. In the case of private or institutional wealth management, access to the European market in particular remains a strategic priority to maintain employments, especially for those on the "front line" on Swiss territory. As was the case in 2021, Luxembourg remains the privileged destination for the transfer of activities abroad. It is therefore essential for Berne to resume negotiations with Brussels in an effort to make progress on the many issues that are key to prosperity and employment in our country (see p. 17).

In the light of the above factors, the players in the banking and financial sectors expect 2023 to be a difficult year, except for employment where stability is expected. This attitude is explained in large measure by the short-term economic forecasts made by the State Secretariat for Economic Affairs (SECO) which expects lower than average Swiss economic growth, a tense energy situation in Europe, high international inflation and tighter monetary policy. This anticipation of weak global demand will affect Swiss exporting sectors of which the financial sector is one. In a nutshell, inflation is enemy number one.

Taxation was at the forefront of the 2022-2023 economic survey. This topic overshadows all others at cantonal and federal level. However, 2023 is a pivotal year for the fiscal competitiveness of Switzerland in general and Geneva in particular. For the latter, the wave of new draft laws and initiatives on taxation creates a climate of uncertainty that is detrimental to the canton's attractiveness (see p. 15).

In this environment, which is challenging to say the least, the Financial Center continues to grasp opportunities in the field of sustainable finance. This is clearly in the forefront of the areas that need to be strengthened, ahead of fintech. According to the banks and independent wealth managers, two factors will contribute to the success of the green transition: the development of sustainable investment products and solutions, and the development of incentivizing regulation and international common standards. Consequently, the banking sector, under the aegis of the Swiss Bankers' Association (SBA) and the asset managers, led by the Asset Management Association Switzerland (AMAS), have defined four priorities in order to give momentum to this development and expedite its implementation: incentivizing regulation, staff training, reliable data and transparency (see p. 20).

The development of sustainable investment products and solutions, drafting of incentivizing regulation and international common standards are the keys to a successful green transition

3

Framework Conditions

1. Sanctions imposed because of the war in Ukraine

Through the Swiss Bankers' Association (SBA), the Financial Center condemned Russia's war of aggression against Ukraine. It supports the sanctions imposed under the Embargoes Act and the Federal Council's Ordinance. To date, Switzerland has endorsed the ten packages of sanctions imposed by the European Union (EU).

These sanctions freeze the assets of more than 1,300 prominent persons and entities. As of November 25, 2022, assets frozen in Switzerland stood at CHF 7.5 billion and included 15 properties. The sanctions in question also include a ban on accepting deposits amounting to more than CHF 100,000 from Russian citizens or corporate bodies or individuals based in Russia. In June 2022, Swiss banks had informed SECO (the State Secretariat for Economic Affairs) of deposits amounting to more than CHF 46 billion covered by this ban. It should, however, be noted that the ban on depositing funds and the obligation to make a declaration do not apply to Swiss nationals or to citizens of an EEA Member State nor to the holders of a temporary or permanent residence permit in Switzerland or in an EEA Member State.

In the margins of the World Economic Forum held in Davos in January 2023, Federal Councillor Ignazio Cassis stated that confiscation of frozen assets from Russian clients in Switzerland would be a "potential source of finance for the reconstruction" of Ukraine, provided that this was "coordinated internationally". These proposals elicited numerous reactions and led the Federal Council to clarify the situation on February 15, 2023. The Government concluded that Swiss law does not permit the expropriation of private assets without compensation if their origin is not unlawful. Such confiscation would be incompatible with Switzerland's constitutional guarantees and international obligations.

Moreover, in June 2022, the National Council rejected a motion providing for the creation of a task force charged with tracking down and confiscating the assets of the oligarchs who had been sanctioned. However, the National Council reviewed the matter in December 2022 when it adopted a motion seeking to create such a task force, without making provision for confiscation of the blocked assets. The matter is currently under discussion in the relevant committee of the Council of States.

On April 19, 2023, the Federal Council announced that for the time being Switzerland did not intend to join the G7 Task Force on Russian Elites, Proxies and Oligarchs (REPO). The Government takes the view that technical cooperation between Switzerland and the G7 member countries is running smoothly. However, should participation prove to be in the interests of our country the Federal Council might well review the situation at a later date.

> **Swiss law does not permit the expropriation of private assets without compensation if their origin is not unlawful**

Framework Conditions

2. For a competitive legal and regulatory framework

Acquisition of Credit Suisse by UBS

The announcement on March 19, 2023 of the acquisition of Credit Suisse by UBS for CHF 3 billion came as a bombshell. This transaction was organised by the Federal Council, the SNB and FINMA. On the same day, the Federal Council published an "Ordinance on Additional Liquidity Assistance Loans and the Granting of Federal Default Guarantees for Liquidity Assistance Loans from the Swiss National Bank to Systemically Important Banks".

These measures were recapitulated in the Federal Council's Dispatch of March 29, 2023. They are summarized as follows:

1. Extraordinary liquidity assistance (ELA) granted by the SNB to Credit Suisse totalling CHF 50 billion.
2. Additional liquidity assistance loans amounting to CHF 100 billion.
3. Liquidity assistance loans provided by the SNB, accompanied by a default guarantee issued by the Confederation for CHF 100 billion.
4. Granting of a guarantee against losses for CHF 9 billion.
5. Specific derogation from the Mergers Act: acquisition of Credit Suisse by UBS does not require a resolution by the General Meetings of the companies concerned if the transaction is conducted in consultation with FINMA.
6. Authorization of the merger (Cartel Act): FINMA acts in lieu of the Competition Commission (COMCO) to authorize the provisional implementation of the merger.
7. Amortization of the AT1 instruments (CoCo): these instruments are completely written down in a viability event, in particular if extraordinary government support is granted. These instruments have a nominal value of around CHF 16 billion.
8. Remuneration-related measures: the Federal Department of Finance (FDF) made an urgent temporary decision to cancel the variable remuneration drawn from the Confederation's resources of the employees who were responsible for the collapse of Credit Suisse.

For the purposes of measures 3 and 4 above, the Finance Delegation of the Federal Assembly approved two emergency loan commitments totalling CHF 109 billion.

An extraordinary session of Parliament was convened to address this matter. On this occasion, the Council of States also approved these additional loans. However, the National Council rejected them on April 12, 2023, but it should be noted that this decision has no legal effect on the emergency commitments that had been made. Moreover, the Federal Chambers adopted some ten postulates which require the Federal Council to present reports within a one year time frame. They specifically concern the capitalization of banks, the remuneration of their managers and the "too big to fail" rules.

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measures
adopted by the Federal Council
for the acquisition of
Credit Suisse by UBS

Impact of a potential energy shortage on the financial centre

Confronted with the threat of an energy shortage caused by several factors, including the war in Ukraine, on November 23, 2022, the Federal Council laid open for consultation draft Ordinances regulating restrictions and prohibitions of use, imposition of immediate and longer quotas and load shedding. Each element is designed to avert more serious consequences that would require even more drastic measures.

In the event of an imminent shortage, the Confederation will initially issue urgent appeals urging all electricity consumers to reduce their consumption. The Federal Council could simultaneously impose initial restrictions and prohibitions of use.

A still more restrictive measure would be the imposition of electricity quotas on major consumers. Such quotas would affect 34,000 major consumers in Switzerland who account for just under half of all electricity consumption in our country.

Quotas make a significant contribution to avoiding the need for load shedding which is the regulated management measure of last resort to prevent the widespread collapse of the grid and hence a blackout. Load shedding in supply zone sectors would be carried out by rotating power outages throughout the power grid.

Geneva Financial Center has set up a working group to assess the impact of a potential energy shortage on its ability to function and to determine the measures to be taken in this context. Concerns include the distribution of cash to the population and maintenance of payment and stock market transactions, as well as security. A review of the situation identified telecommunications networks as a weak point in the system.

During this work, GFC was in regular contact with the cantonal authorities, Geneva Industrial Services (SIG), the Police, Swisscom and the Organisation for Radical Climate Action (ORCA).

On March 3, 2023, the Federal Council was informed of the results of the consultation. It adapted the measures stipulated in the Ordinances, taking into account the opinions expressed by the various entities that had been consulted.

Fortunately, the threat of an energy shortage in the winter of 2022-2023 has receded. Nevertheless, vigilance will still be required in the future.

Supervision of independent wealth managers (IWM) and trustees

In its Communication of August 11, 2022, FINMA announced that, since the entry into force of the Financial Institutions Act (FinIA) on January 1, 2020, IWM and trustees are under an obligation to obtain a licence to conduct their activity. They were granted a transitional period to affiliate to a supervisory authority (SA) and apply for a licence. This time limit expired on December 31, 2022. FINMA stated that the time limit would not be extended under any circumstances. The supervisory authority also announced that IWMs and trustees who failed to adhere to the time limit, but nevertheless continued to exercise their professional activity after January 1, 2023 would be liable for supervisory and criminal sanctions. The SBA reiterated these principles in its Circular 8092 of August 31, 2022.

On January 30, 2023, FINMA reported that it had received 1,699 applications for licences by the end of 2022. As of December 31, 2022, the supervisory authority had granted the requisite licence to 670 institutions. More than 1,000 applications therefore still had to be processed.

FINMA had received 1,699 licence applications from IWMs and trustees at the end of 2022

Post Organisation Act (POA)

At the end of September 2022, following the Council of States, the National Council abandoned the Federal Council's draft text with no opposition; the purpose of that text had been to allow the Post Office subsidiary to grant loans and mortgages independently.

This decision puts an end to a long saga that began in 2021 with a Dispatch from the Federal Council. The Council had felt that PostFinance should be able to grant mortgages and loans to third parties independently. Moreover, the statutory requirements for the privatization of this entity were to be implemented. However, the Federal Council wanted the possibility of granting loans to be enabled before privatization.

As stated previously, the Financial Center had expressed an unfavourable opinion on this matter. The addition of a new semi-public player to what is already a highly competitive market would not have been an improvement at all. In the real estate and mortgage industry, local knowledge is important. Without such knowledge, excessive risks are likely to be taken. Moreover, competition on the French-speaking Swiss market would have been distorted to the extent that, unlike PostFinance, BCGE and BCV no longer benefit from a State guarantee.

Collective investment funds

European regulations

The European Parliament's Committee on Economic and Monetary Affairs voted in favour of the amendments to the AIFMD (Directive 2011/61/EU) on January 24, 2023; the amendments lay down rules on delegation, harmonization of liquidity management tools, improvement of data gathered through regulatory reports, the inclusion of central securities depositories in the custody chain and, lastly, an improved offer of depository services on small European markets.

A trilogue must now be conducted by the Parliament, the Council and the European Commission with a view to adopting the final version of the text. This could be published in the Official Journal in 2023. With effect from its publication, the Member States will have 24 months to transpose these provisions into their national law.

Collective Investment Schemes Ordinance (CISO)

The consultation procedure on the amendment of the Collective Investment Schemes Ordinance (CISO) ended on December 23, 2022. This text mainly contains specific provisions applicable to the Limited Qualified Investor Fund (L-QIF), an investment vehicle that can be placed on the market without authorization from FINMA.

One provision poses a particular problem in this context. The Ordinance stipulates that investors in such a fund must not have family ties. This new provision would prevent this type of investment fund from being offered to a family. This lack of flexibility would once again prevent Switzerland from competing with Luxembourg where no such constraint exists. We can only hope that this provision, which has been criticized by all the Financial Center's players, will be removed from the draft text.

Impact of technological advances on regulatory provisions

Information Security Act

On December 2, 2022, the Federal Council published its Dispatch on the amendment of the Information Security Act, seeking to include an obligation to report cyberattacks on critical infrastructure. This text also lays down the tasks of the National Cybersecurity Centre (NCSC) which is to be the sole addressee of mandatory cyber incident reporting.

It should be noted that banks and insurance companies are included in critical infrastructure that will be also required to continue reporting cyberattacks to FINMA.

The National Council approved these amendments on March 16, 2023. The matter is expected to be considered by the Council of States during its summer session in 2023.

Federal Act on Electronic Identification Services

Following the rejection of the Federal Act on Electronic Identification Services by the people on March 7, 2021, the Federal Council opened a consultation procedure on a new draft text on June 29, 2022. The consultation ended on October 20, 2022. According to this text, the new e-ID should permit simple, secure and rapid digital self-identification. Every holder of a Swiss identity card, a Swiss passport or a residence permit may apply for such an e-ID. The Confederation will provide a mobile phone app enabling the user to manage his/her e-ID securely. This e-ID may be used both on the Internet (for example to order an extract from criminal records online) and in everyday life (for example, as proof of age when purchasing alcohol). Contrary to the provision of the law that was rejected when put to the vote, the Confederation will itself issue the e-IDs and operate the requisite infrastructure.

Data protection will be ensured by the system itself and also by restricting the data flows required and by decentralized data recording. Moreover, the Federal Council has formulated the text with neutral wording in terms of technology to enable the system to incorporate the latest state of technology at all times. The system will also adhere to international standards to enable the e-ID to be recognized and used abroad.

The infrastructure implemented by the Confederation to manage e-IDs may also be used by the cantonal authorities and private sector players.

The draft law will in all likelihood be placed before Parliament in summer 2023.

> **Banks and insurance companies are included in critical infrastructure that will be required to report cyberattacks to the NCSC and to FINMA**

Federal Council's report on open finance

The Federal Council published a report on open finance in December 2022. Its purpose is to allow clients to use their financial data freely and benefit from new services. It also aims to strengthen the Swiss financial centre's capacity for innovation and competitiveness. Opening up interfaces and cooperating with third party service providers should enable the expansion of the existing range of services, while keeping it simple and secure.

The Federal Council instructed the Administration to submit proposed measures to it by June 2024 if the financial sector fails to make sufficient progress in opening up its interfaces.

SBA's digital currency proposal

In March 2023, the SBA published a proposal for deposit tokens to be issued by the Swiss banks and not by the SNB. This would be a purely digital form of the Swiss franc reserved for the banks in order to permit faster and less costly trading in digital assets. For its part, the EU is considering a digital euro for private individuals who would hold an account directly with the European Central Bank, but with its use confined to the eurozone. By contrast, the United States recognizes the usefulness of a "retail CBDC" (Central Bank Digital Currency), especially for cross-border transactions.

Regulatory provisions and sustainable finance

Confederation's "Swiss Climate Scores"

On June 29, 2022, the Federal Council announced the creation of the Swiss Climate Scores. Their purpose is to establish best practice for transparency by seeking to make financial products compatible with climate objectives. These scores comprise 5 minimum criteria, namely:

- Greenhouse gas emissions
- Exposure to fossil fuels
- Proven commitments to net zero
- Management to net zero
- Credible climate stewardship

In addition, there is an optional 6th criterion:

- Global warming potential (the optional nature of this indicator is attributable to the fact that this criterion is the latest to be established on the market and therefore still presents the greatest methodological uncertainties).

These Swiss Climate Scores are to be applied on a voluntary basis; no formal verification is stipulated at this stage.

Glaciers initiative

In late June 2022, Parliament adopted an indirect counter-proposal in response to the glaciers initiative which it does not support. This text would require Switzerland to adopt specific quantitative targets to achieve carbon neutrality by 2050 in the construction, transport and industrial sectors. Its Article 9 stipulates that the Confederation must ensure an effective contribution by the Swiss financial centre to low emission development capable of resisting climate change. In particular, measures must be taken to reduce the impact of national and international capital flows on the climate. For this purpose, the Federal Council may enter into agreements with the financial sector seeking to make capital flows compatible with climate objectives.

Following the adoption of this indirect counter-proposal, the glaciers initiative was withdrawn. However, the UDC launched a referendum against the indirect counter-proposal. The Swiss people will be asked to vote on this matter on June 18, 2023.

> **The Swiss Climate Scores comprise 5 minimum criteria that are to be applied on a voluntary basis**

51.6%

of Swiss people voted against the CO_2 Act

CO_2 Act

For the record, on June 13, 2021, Swiss citizens rejected the CO_2 Act by a narrow majority (51.6%); the Financial Center had campaigned in favour of this Act.

Following this vote, on December 17, 2021, the Federal Council submitted for a consultation lasting until April 4, 2022, a new draft law defining Switzerland's climate policies for 2025 to 2030. The Government is adhering to its targets: our country must reduce its emissions to half the 1990 figure by 2030.

On September 16, 2022, the Federal Council adopted its Dispatch on the revision of the CO_2 Act for the period from 2025 to 2030. This text provides for the allocation of around CHF 4.1 billion to measures that aim to protect the climate without raising new taxes. The key measure makes provision for granting a package totalling of CHF 2.8 billion for the period in question, earmarked for upgrading buildings and replacing old fuel-oil or gas-fired central heating systems.

With regard to the financial sector, the new draft of the CO_2 Act incorporates a measure that was included in the text rejected by the people: FINMA will have to examine at regular intervals the climate-related financial risks to which financial institutions are exposed. It will be able to rely on the experience obtained in connection with the transparency obligations for climate risks that were introduced in 2021 for the nine largest Swiss banks and insurance companies. Any potential risk to the stability of the financial system resulting from climate change must also be monitored by the SNB.

> **According to the Federal Council, the term greenwashing is used when clients are misled as to the sustainable nature of financial products and services**

Federal Council's report on greenwashing

On December 16, 2022, the Federal Council published a report to clarify its position on greenwashing in the financial markets. The Government uses the term greenwashing to mean misleading clients as to the sustainability of financial products and services. In its opinion, a financial product or service that is described as sustainable must meet at least one of the following investment targets:

1. alignment with one or more specified sustainability targets, or
2. contribution to the attainment of one or more specified sustainability targets.

A working group has been set up to implement the Federal Council's position.

Federal Council's report on the financial centre's sustainability

On December 16, 2022, the Federal Council also adopted its report on the financial centre's sustainability. It focussed on the following four fields of action:

1. sustainable development data kept by economic interest groups;
2. transparency of the financial sector;
3. social impact investments and green loans;
4. pricing of environmental pollution.

In order to achieve these priorities, the Government has drawn up a list of 15 measures.

Following the publication of this report, the State Secretariat for International Finance (SIF) set up three working groups to address greenwashing, the Swiss Climate Scores and impact investing respectively.

SBA self-regulation

On June 28, 2022, the SBA published its two self-regulation modules in the field of sustainable finance:

- Guidelines on ESG preferences and risks in investment advice and wealth management which were due to enter into force on January 1, 2023. This text stipulates that clients will have to be questioned about their ESG preferences and will then be offered suitable products and services. Information, documentation and reporting requirements are also set out. Moreover, SBA members will be required to incorporate ESG aspects into the initial and continuing training of client relationship managers.

- Guidelines for mortgage providers relating to the improvement of energy efficiency of buildings. These guidelines were also due to enter into force on January 1, 2023. The banks are allowed a transitional period until January 1, 2024, to adopt internal procedures. These guidelines stipulate that, when providing advice on real estate financing, mortgage providers will have to address the issue of the long-term preservation of the value of the building that is to be financed and hence also the issue of its energy efficiency. This will initially concern private persons who own a detached house or a secondary residence.

These two Guidelines are binding on SBA members.

AMAS self-regulation

At the end of September 2022, AMAS published its self-regulation provisions on transparency and publication of information by collective assets in the field of sustainable finance. Its aim is to consolidate the role of the Swiss asset management sector in the field of sustainable finance. It also sets out requirements for the organization of financial institutions as well as for the design of products and provision of relevant information to investors. This self-regulation is binding on AMAS members. It will enter into force on September 30, 2023.

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self-regulation provisions were published by the umbrella associations to define minimum standards

Prevention of money laundering and the financing of terrorism

FATF: revision of Recommendation 24

In 2020, the Financial Action Task Force (FATF) set up a working group to analyse Recommendation 24 on the transparency and beneficial ownership of legal persons. The following issues were studied: the quality of information about the beneficial owner, timely access to this information at both national and international level and specific barriers to transparency. The topic of central and possibly public registers of beneficial owners was also broached in this context.

Following two public consultations, on March 4, 2022, the FATF published its new Recommendation 24 accompanied by an explanatory note. The FATF does not require a central register to be kept, but it imposes very strict conditions for an alternative system.

On October 12, 2022, the Federal Council instructed the FDF to prepare by the second quarter of 2023 a draft bill that aims to increase transparency and facilitate identification of the beneficial owners of legal persons. This draft bill would in particular introduce a central register identifying beneficial owners, as well as new obligations to update information about them, based on the risks. This register will be accessible to the competent authorities, but not to the general public.

Framework Conditions

3. For an attractive tax system

In Switzerland

Reform of the Withholding Tax Act

In December 2021, the Federal Parliament adopted the withholding tax reform which stipulated the continuation of this tax on interest paid to natural persons on their bank assets in Switzerland, while abolishing the same tax on all other forms of interest for all investors.

The purpose of this reform was to revitalize the Swiss capital market, particularly in connection with the financing of the energy transition. At present, the large majority of Swiss bonds are issued abroad in order to avoid withholding tax. Its abolition would have enabled the activities associated with these transactions to be repatriated to Switzerland with the accompanying competences. Especially in the field of green bonds, our country lags well behind Luxembourg.

Unfortunately, on September 25, 2022, the reform was rejected by 52% of voters against 48% in favour.

Rejection of the withholding tax reform is a lost opportunity to encourage the development of the bond market in Switzerland

Abolition of rental value tax

In the Federal Parliament, the issue of abolishing rental value tax has been beset by difficulties. As a reminder, in late September 2021, the Council of States approved the abolition of the rental value tax by a narrow majority, but only on principal residences. However, it endorsed the Federal Council's view on the partial maintenance of the deductibility of interest payable on credit and on deductions connected with energy saving investments.

In May 2022, the National Council's Committee on the Economy and Indirect Taxation held a first reading of the text. It declared that it was in favour of abolishing the rental value tax, including on secondary residences. It also advocated the continuing deductibility of costs designed to make energy savings and of refurbishment costs. It also wished interest payable on credit to be deductible in an amount equivalent to 100% of the taxable income on wealth (the Federal Council's draft bill limited this deductibility to 70%). The Committee asked the Administration to calculate the cost of these proposals with a view to a second reading in August 2022.

At the end of September 2022, the National Council decided to examine the draft bill. However, it did not read it article by article, but instead referred the matter back to the Committee. A majority of members of the People's Chamber felt that the text drafted by the National Council's Committee on the Economy and Indirect Taxation was too expensive and had no chance of being adopted in a referendum.

In Geneva

Cantonal Initiative 179: “Against the virus of inequalities…Let’s resist! Let’s end the tax privileges of large shareholders”

On March 12, 2022, by just under 60% of the votes cast, the citizens of Geneva rejected Initiative 179 which sought to impose a 100% tax on the dividends earned by shareholders with an equity holding in excess of 10%. Had this proposal been adopted, it would have introduced double taxation of all dividends at cantonal level. That would have constituted an exception, as all the Swiss cantons provide relief from such double taxation. By this vote, the people of Geneva expressed their support for entrepreneurial activity and for their SMEs which are the backbone of the local economy.

60%
of the people of Geneva voted against IN 179

Cantonal Initiative 185: “In favour of a temporary solidarity tax on wealthy individuals”

On June 18, 2023, the citizens of Geneva will be called upon to vote on Initiative 185 entitled “In favour of a temporary solidarity tax on wealthy individuals.” This text provides for an increase of 0.5% on the current 1% tax on wealth in excess of CHF 3 million for a ten-year period. Moreover, the tax shield would be weakened to the extent that the minimum yield on the wealth to be taken into consideration for tax purposes would increase from 1 to 2%.

The Grand Council and Council of State oppose this text, it being noted that the Canton of Geneva exploits its fiscal potential more than any other Canton, and already has the highest marginal tax rate in Switzerland.

Cantonal Initiative 183: “For the abolition of the business tax”

This initiative provides for the abolition of the municipal business tax (TPC) which is levied by the majority of Geneva municipalities and raises just under CHF 200 million for them annually.

In October 2022, the Grand Council opposed this initiative but came out in favour of a counter-proposal. The idea would be to replace the TPC by an additional cantonal profit tax, with the revenue raised being redistributed to the municipalities. That would enable the implementation in Geneva of the OECD’s fiscal reform which provides for a minimum 15% tax rate on profits.

At the end of March 2023, the Grand Council’s Tax Committee adopted a counter-proposal which abolishes the TPC. In exchange, this text provides for the introduction of an additional cantonal tax, the proceeds of which would be redistributed to the municipalities. The tax rate on profits would accordingly increase from 13.99% to 14.7%.

The plenary session of the Grand Council unanimously adopted this counter-proposal on May 11, 2023. If initiative 183 is withdrawn and without the launching of a referendum, the text will enter into force as it stands.

At international level

OECD: corporate taxation

Based on its May 2019 road map, the OECD initially published a number of proposals designed to respond to the fiscal challenges raised by digitization of the economy. The draft was subsequently amended to include the largest multinational companies worldwide. The approach is based on two pillars:

- **First pillar: "Unified OECD approach"**
  This pillar provides for an equitable distribution of the rights to tax the profits of multinational companies established in more than one country. The profit apportionment rules will accordingly be amended in favour of the States in which the consumers of goods and services are located. In exchange, all unilateral taxes on digital services will have to be abolished. This pillar is directed at all multinationals whose global turnover exceeds 20 billion euros and whose profitability exceeds 10%. The extractive industries (oil, gas and mining) as well as "regulated financial services" will be exempt.

- **Second pillar: "Global Anti Base Erosion (GLoBE)"**
  This section provides for the introduction of a minimum tax rate of 15% in order to combat tax base erosion. These rules are directed at multinationals whose annual turnover exceeds 750 million euros, including those operating in the field of finance. The tax base will be defined by the OECD rules referred to as GloBE.

On July 1, 2021, an agreement was reached on the major principles laid down for the two pillars and on the minimum rate of 15%. A joint declaration was endorsed by 130 countries (a figure that subsequently rose to 133 and then 138), including Switzerland.

The number of States that will introduce pillar 2 remains uncertain. The only ones that have already made a commitment to do so in 2024 are the EU Member States, the United Kingdom, Canada, Japan, Malaysia, South Korea and Switzerland.

The United States is one of the countries that approved pillars 1 and 2 in 2021. However, in August 2022 the US Congress adopted a "Corporate Alternative Minimum Tax" which diverges significantly from the OECD principles.

On June 22, 2022, the Federal Council adopted a Dispatch concerning the Federal Decree on specific taxation of large groups of companies. It proposes an additional tax to implement this reform in Switzerland. The Confederation would receive 25% of the revenue raised by the additional tax and would use these resources for the benefit of the Swiss economy. The remaining 75% would revert to the cantons and municipalities.

In late December 2022, the Federal Chambers adopted the solution proposed by the Federal Council. The Federal Decree will be put to a people's vote on June 18, 2023.

The Federal Council simultaneously arranged a consultation on an initial Ordinance relating to minimum taxation. This sets out the additional taxes that Switzerland might levy on the basis of the GloBE rules. The taxation procedure will also have to be defined in an Ordinance. These Ordinances will remain in force until they are revoked by a federal law. The Federal Council will not have more than six years to draft such a law.

Framework Conditions

4. Relations with the European Union

Bilateral relations with the EU

On May 26, 2021, the Federal Council announced that it did not intend to sign the Framework Agreement negotiated between Switzerland and the EU. The Government gave as its reason for this unilateral decision the fact that substantial divergences still existed on central points. The main reference here is to accompanying measures and the Directive on the rights of EU citizens.

In December 2022, the Federal Council published its report entitled “Assessment of Swiss-EU Relations”. This reviews the options available to our country, namely a free trade relationship, continuation of the bilateral approach, membership of the EEA and membership of the EU. It concludes that the bilateral approach remains the most favourable solution for Switzerland.

At the end of March 2023, following eight sessions of exploratory discussions and 19 technical discussions conducted by the Swiss and European delegations, the Federal Council decided the approach to adopt in the drafting of a negotiating mandate. The package approach proposed by the Government will serve as a basis for the discussions. The intention is to prepare a full package comprising specific new agreements covering, in particular, electricity, food safety and health. This approach was preferred to a single horizontal agreement covering institutional matters, such as the transposition of laws, oversight and dispute settlement.

The Federal Council has instructed the Federal Department of Foreign Affairs (FDFA) to define the major features of the negotiating mandate by the end of June 2023.

The Financial Center insists on the need for cross-border banking services to be included among the topics for negotiation. Within the SBA, the banks have accordingly devised an approach based on a licence (or “specific to the institutions”). In essence, the proposal is that interested institutions should register with a central European authority (for instance the EBA or ESMA) in order to obtain a passport enabling them to actively provide banking and investment services throughout the EU. By registering, Swiss banks would undertake to comply with current European law when they provide services to clients domiciled in the EU.

The Federal Council prefers a package approach to a single horizontal agreement for settling institutional issues with the EU

Stock market equivalence: measure aiming to protect the Swiss stock market infrastructure

As a reminder, in June 2019 the EU refused to recognize the equivalence of the Swiss stock market. In order to address this situation, the Confederation activated a protective measure on July 1, 2019. More specifically, this Ordinance specifies an obligation to obtain recognition for foreign platforms that allow trading in the shares of Swiss companies; such recognition may be withheld by the Federal Council. This Ordinance has been extended until December 31, 2025.

On June 22, 2022, the Federal Council adopted a Dispatch addressed to Parliament with the aim of incorporating the Swiss stock exchange protective measure into ordinary law. The aim is to replace the current Ordinance by a federal law. However, the Federal Council’s ultimate objective is to secure unlimited recognition of stock market equivalence by the EU.

On February 27, 2023, the National Council unanimously approved this amendment to the Financial Market Infrastructure Act with the aim of incorporating the Swiss stock exchange protective measure into this Act.

4

Communication & Promotion

Media relations

On October 11, 2022, the Geneva Financial Center (GFC) invited representatives of the Swiss and foreign media to its traditional press conference.

Journalists covered this event extensively with the emphasis on four main topics: the strength and resilience of the financial center in the face of a challenging environment (see page 5); the impact on the financial center of the sanctions imposed on Russia (see page 7); the energy crisis and the measures taken by the banking sector to address any energy shortage (see page 9); the fiscal challenges (see page 14), with particular reference to the wave of popular initiatives at cantonal level which will be put to the vote in Geneva in 2023.

These topics were presented by Yves Mirabaud (President), Xavier Oberson (Board Member) and Edouard Cuendet (Managing Director).

A consistent message was conveyed in these three talks. The financial sector remains a stable pillar of the economy in the face of geopolitical, energy and fiscal uncertainties. However much goodwill the financial center shows when it comes to adaptation and resilience, its efforts are likely to be thwarted if the existing fiscal framework in Switzerland is inadequate. That being so, the rejection by the electorate of the planned abolition of stamp duty on February 13, 2022, and the withholding tax reform on September 25, 2022, (see page 14) were missed opportunities.

Fortunately, these obstacles have not placed the Financial Center in an untenable position. They do not overshadow the opportunities that are available for the most enterprising players, especially in the field of sustainable finance (see page 20).

> **Taxation of households is the key component that must be improved in the canton**
>
> Le Temps, 12 October 2022

Sustainable finance

Emerging fundamental trends are enabling stakeholders in the banking and financial sectors to capitalize on the favourable dynamic that began in 2021 and adhere to their commitment to sustainability. Swiss financial institutions are increasingly aligning their business models with the Paris Climate Accords by signing up to initiatives such as the Glasgow Financial Alliance for Net Zero (GFANZ) and the accompanying alliances: Net Zero Banking Alliance (NZBA) and Net Zero Asset Managers Initiative (NZAM). They have also subscribed to the UN Principles for Responsible Banking (PRB) and the UN Principles for Responsible Investment (PRI) in their investment activities.

The Financial Center has defined four priorities. First, incentivizing regulation and a universally accepted definition at international level are essential to expedite this process and avert greenwashing risks. The European Union (EU) was the first to establish classification and transparency standards for sustainable products. Switzerland welcomes a strong commitment by the federal authorities and professional associations, which are working towards self-regulation.

In contrast to the EU, the Swiss model thus relies on voluntary action. This “bottom up” approach requires close cooperation between all the stakeholders. In this context, the umbrella associations were quick to act. In the space of just one year, three regulations were drafted by the Swiss Bankers’ Association (SBA) for the banking sector (see page 13) and by the Asset Management Association Switzerland (AMAS) for asset managers (see page 13). The first two regulations cover, on the one hand, the inclusion of ESG preferences and risks in investment advisory and portfolio management services for the banking sector and, on the other hand, the promotion of energy efficiency to mortgage providers. The third element of self-regulation concerns products, with standards for asset managers. These fundamental texts help to position Switzerland as a key international player.

> **Switzerland welcomes a strong commitment to self-regulation by trade associations**

Education and training are the second priority. The integration of sustainable finance into vocational, continuing and university education is essential if the Swiss Financial Center is to continue living up to its clients’ expectations. This is the only way of providing attractive products and services that meet sustainability criteria. Here too, the financial center's players have not stood idly by. For instance, sustainable finance is to be included in the apprenticeship reform that is due to take effect in the autumn of 2023 (see page 27). In the field of continuing education, SAQ CWMA certification (see page 26) imposed more stringent sustainability requirements in 2022. Last but not least, in higher education, the University of Geneva and the Graduate Institute are committed to this trend with several Certificates of Advanced Studies (CAS) and Master’s Degrees in Sustainable Finance.

Digitisation and data reliability must also be taken into account. They are the third priority. The development of comparable data sets and key performance indicators (KPI) that are easy to use is vital if the Swiss Financial Center is to continue to play a central role in the economic transition. If the banks acknowledge that they must keep their clients informed of the sustainability of their investments, they then require access to business data. In fact, capital flows reflect the activities of the real economy. At present, data on the sustainability of Swiss businesses is not always available.

NetZero Initiatives & forward-looking methodologies: the transition way in finance

On the occasion of the “Building Bridges Week”, the GFC and the Swiss Bankers’ Association joined forces to invite top speakers to discuss the Net Zero Initiatives on October 5, 2022. Presentations by Simone Dettling, Head of Banking, UN Environment Finance Initiative (UNEP FI) and Lucie Pinson, Head of the Reclaim Finance NGO which promotes divestment from fossil fuels, enabled a vigorous exchange of views on a subject that is as important as it is topical. Alexis Favre, a journalist and RTS producer, moderated the discussions and helped to generate constructive exchanges of views during the debate.

Mark Henley © Building Bridges 2022

Building Bridges: from words to deeds!

This leads us to the fourth priority: transparency. In this regard, the Swiss Climate Scores (see page 11), drawn up by the Confederation working together with the financial sector and NGOs in June 2022, assure greater transparency with regard to the alignment of financial investments with the Paris Climate Accords. As a pioneering initiative, the Swiss Climate Scores position the Swiss Financial Center as a vital source of data for clients and investors, both in Switzerland and elsewhere. Transparency of the information supplied to clients is designed to prevent any discrepancy between investors' expectations and the characteristics of the sustainable products offered by the financial institutions.

The above comments show that a successful transition to sustainability depends first and foremost on the shared determination of private and public players to create an optimal regulatory framework for a sustainable and more competitive financial center. Private and institutional investors, as well as the political authorities, civil society and academia, consequently have a key role to play.

The Building Bridges conference assists in implementing these synergies. The third such event brought the finance industry and international Geneva, as well as the federal and cantonal authorities, together at a Summit held on October 3 and 4, 2022, followed by 68 events organized under the "Building Bridges Week" designation from 4 to 6 October 2022. With just under 1,900 participants drawn from 51 countries meeting face to face and 9,600 persons attending online, the 2022 event was a landmark. The varied programme, the presence of renowned international experts and the loud voices of the younger generation made for lively debates and resulted in the implementation of specific measures. The Founding Partners, including the Geneva Financial Center, have already agreed to repeat this process, from 2 to 5 October 2023.

2022 Assises de la Place Financière

The need for a transition towards a more resilient and sustainable economy is unanimously recognized by the Geneva Financial Center (see page 20). Employees in the financial sector are in fact showing increasing interest in sustainability and wish to acquire the knowledge necessary to understand this sector which is as promising as it is complex. Education and training are key factors in accelerating this trend.

As a result, the 9th Geneva Financial Center's conference, organised on June 15, 2022 together with the Swiss Bankers' Association (SBA), brought together more than 260 attendees from banking and financial institutions to discuss the role of education and training in the transition to sustainability. On this occasion, Yves Flückiger, Rector of Geneva University and Rajna Gibson Brandon, Professor at the Geneva Finance Research Institute (GFRI) and Director of the Geneva Institute of Wealth Management (GIWM), made excellent presentations before answering questions put by the audience in a debate chaired by Jennifer Covo, an RTS journalist.

84%

of donor foundations take account of sustainability criteria when making their investments

GIWM Annual Conference, Recent Trends in Wealth Management

On September 15, 2022, Geneva Financial Center hosted the annual Conference of the Geneva Institute for Wealth Management dedicated to sustainable investment. Professors from European universities and renowned experts in this field presented their views on recent trends in the area of ESG (Environment, Social, Governance) preferences in wealth management.

Philanthropy Lunch "Managing the assets of foundations – analysis and benchmarking"

Under the banner of the "Building Bridges Community" (see page 21), GFC took part in the debate which followed the presentation of the "2022 Benchmark Report" by SwissFoundations on October 6, 2022. The publication analyses the key figures for the investment activities of public interest donor foundations. The way in which a foundation invests its assets has a decisive influence on its impact, not only in financial terms but also at the social level.

SFI-GFC Conference "Global Financial Regulation, Transparency, and Compliance Index (GFRTCI)"

The Swiss Finance Institute (SFI) has created a global index of financial regulation, transparency and compliance in order to measure the way in which different countries adopt, implement and apply a set of international standards. At the instigation of the SFI and Geneva Financial Center (GFC), the results of the 3rd GFRTCI Conference were presented to a hundred or so attendees in person and remotely on April 27, 2022. Their numerous questions were moderated by Carine Rielle, an AGEFI journalist.

Alfred Mettler, Adjunct Professor at the SFI, Steven Ongena, Professor of Banking at the SFI and at the University of Zurich, and Christoph Basten, Assistant Professor of Banking at the SFI and at the University of Zurich, explained the reasons why Switzerland had fallen back to seventh place after ranking fourth in the previous year. This downgrading is explained by the fact that other countries which had previously lagged behind in compliance with financial regulations have now caught up with Switzerland. In this context, Yvonne Lenoir Gehl, Head Group Regulatory Office at Banque Pictet & Cie SA, insisted on the vital need for Switzerland to participate in the development of future international standards.

> **The application of international standards is based on four key elements: synchronization, proportionality, the cost-benefit ratio and the principle of equivalence**

5

Education & Training

Encouraging excellence

The Geneva Financial Center brings together a wide range of activities, ranging from retail banking to commodity trade financing and wealth management. In Geneva, finance is a key sector of activity for the employment market and for the Geneva economy since it generates almost 38,000 jobs and contributes 12.4% of cantonal GDP. To be capable of rivalling its competitors, it needs to work with the best talent. It must consequently be able not only to attract such people but also to offer them continuing training in order to maintain and enhance their level of excellence. In this context, education and training is involved at every stage. It includes apprenticeships, continuing education and tertiary studies (university and business schools).

The survey conducted by the Swiss Bankers' Association (SBA) between the end of 2021 and June 2022 showed that, for the consecutive second year, the employment market in the banking sector expanded to stand at 90,576 employees. 2022 saw an increasing dearth of job applicants; this led to an unemployment rate of 2.0% in the banking sector at the end of December, equivalent to a situation of near full employment. For Geneva the trend is similar, with 685 people registered as unemployed in December 2022 compared with 907 at the same time in the previous year. It is therefore hardly surprising that the shortage of qualified personnel is one of the banks' major worries, according to the Barometer of Opportunities and Concerns conducted by Employeurs Banques, the bank employers' association.

However, in view of the anticipated worsening of the economic outlook, cautious optimism is emerging in the short term since just 40% of the institutions questioned intend to create jobs, especially in retail banking, wealth management and logistics. As regards Geneva, the 2022-2023 economic survey by GFC (see page 5), reaches the same conclusions: job vacancies are expected to level off in 2023.

In this context, banks in Switzerland take the view that one of the greatest opportunities on the employment market resides in "access to qualified specialists", according to the Employeurs Banques' annual survey. Education and training remain a key factor in continuing to meet this need. Firstly, university courses help to bring newcomers with a high potential to the market while continuing education guarantees a high standard of qualifications and specialisation throughout a professional career. Secondly, basic training permits the recruitment of young people and combines theoretical knowledge with practical experience.

> **Access to qualified specialists and to a dual education system is one of the great strengths of the Swiss employment market**
>
> 2022 survey of the members of Employeurs Banques

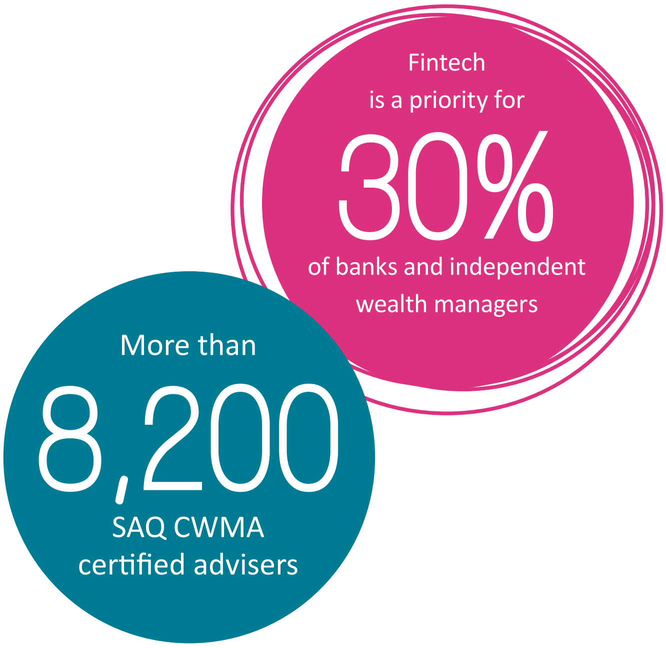
Continuing education: a response to changing employment needs

The skills that are needed in the financial sector are evolving all the time and at an increasingly rapid pace. According to the GFC's economic survey 2022-2023 (see page 5), one-third of all banks and independent wealth managers describe fintech as their top challenge and believe that successful implementation of the digital transformation requires better education and training.

For several years now, the digital transformation has been affecting all economic players. The banking sector is no exception to this rule and is continually innovating in order to remain competitive. Several factors explain the increasing importance of the digital sector. In the wake of the 2008 financial crisis, the banks had to reinvent themselves in an unstable political and economic environment. They were also confronted with changes in their clients' behaviour and with the appearance of new players. Hence, the digitization of certain activities was at the same time a means of containing costs and a response to the demand by clients for greater responsiveness and availability on the part of their bank. These profound changes led the banks in particular to look for new ways of optimizing the customer experience. Consequently, it stands to reason that commercial and retail banks as well as wealth managers have seen the biggest transformation of job requirements linked to the digital transition. The demand for continuing education therefore remains greatest in these two areas of activity.

A number of continuing education courses meet this need in Geneva. The Haute école de gestion Genève (HEG) awards a Certificate of Advanced Studies (CAS) in digital transformation in order to improve its leadership in the digital field. Starting in January 2024, the HEG will also be offering a Certificate of Advanced Studies (CAS) in Blockchain & Finance; this is designed to impart a better understanding of the financial aspects of blockchain technology and decentralized finance. For its part, the Institute for Studies in Finance and Banking (ISFB) focuses on financial sector personnel whose activity is impacted by the digital transformation and offers them a "Future of Finance" Certificate.

SAQ CWMA (Certified Wealth Management Advisor) certification is also designed to respond to developments in the field of fintech. For the purpose of the regular audits linked to this certification, the requirements for knowledge of the new technologies are being strengthened through modular Fintech: Refresh & Apply courses taught largely by the ISFB in Geneva. In this way, the 8,207 SAQ CWMA certified advisers in 2022 will further enhance their level of expertise. Last year, the ISFB awarded 60 SAQ CWMA certifications and 192 candidates are currently working towards their certification.



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

As a key player in the provision of continuing education in the banking and financial sector, the ISFB also contributes to the maintenance of the Geneva financial sector's competitiveness. GFC is particularly involved through the presence of Christian Skaanild as President, Blaise Goetschin as Vice-President and Jean-François Beausoleil and Edouard Cuendet as active members of the Board.

University education: in the Tech vanguard

Academic education is not immune to the digital trend. The University of Geneva was the first university in Switzerland to offer a CAS in fintech, from 2019 onwards. Working in cooperation with the Geneva Finance Research Institute (GFRI), this course aims to develop a 360° understanding of fintech, blockchain, cryptocurrencies and big data in the field of finance. Participants in this programme will accordingly acquire an exhaustive knowledge of future advanced technology trends and will be well placed to respond to digital challenges throughout their careers.

Digitization of the banking and financial sector opens up new fields of research in other disciplines. Bridges between financial technologies and law are being explored at Geneva University through a CAS in Digital Finance Law. This course adopts a practical approach and gives an overview of the risks involved in the digital transformation. The Graduate Institute has also responded, by setting up a Tech Hub in November 2022. This centre of expertise aims to support teaching and research projects by exploring the opportunities offered by the new technologies and the dangers they pose. It will enable the creation of synergies, for instance between fintech, artificial intelligence and humanitarian law.

Choosing a career

When they move up to secondary school level II, students must choose their future educational pathway. According to the Swiss Survey of the active population in 2020, 43% of bank employees in Switzerland had a university degree. 17% held a higher professional training diploma, while 27%, compared to 24% in 2019, had attended a course of basic professional training. This enables young people to undergo training in a business enterprise, while also attending courses in a vocational school. It provides both high quality training and direct access to the employment market, making it one of the keys to the success of the Swiss economy and an important gateway into the world of banking.

Basic training: self-development through a combination of school and business

In its "Transitions Barometer", twice a year, the State Secretariat for Education, Research and Innovation (SEFRI) analyses the situation of young people when they move on from compulsory schooling to secondary level II. The results of the survey conducted in August 2022 give a snapshot of the choices made by the 14-16 age group and an assessment of the market for apprenticeship places in Switzerland.

It is encouraging to see that this generation, whose school attendance was severely disrupted by the two-years of the Covid-19 pandemic, is optimistic when the time comes to make this transition. In fact, 61% of young people remain confident about their future. The number who are satisfied with their chosen academic path remains high and stable over time, which highlights their resilience in face of the uncertainties and restrictions created by Covid. Even more heartening is the fact that 85% of them embarked upon their preferred training course in summer 2022, after this rate had fallen slightly in 2020 and 2021.

In this context, the number of Swiss young people opting for a general training course is growing year on year. This figure rose from 33% in 2018 to 42% in 2022. Those who are primarily concerned believe the coronavirus crisis is still making itself felt, explaining this increase in the popularity of studies leading to a higher school-leaving certificate. As a result, opting for a general education is on a par with apprenticeships. Of the ten most popular professions for young people in 2022, commercial employee apprenticeships remain the most attractive for both girls and boys. The "Transitions Barometer" emphasises the stability of the market for apprenticeship places. The commercial sector, which includes dual training in banking, is the one that offers the largest number of apprenticeships with around one place out of ten remaining unfilled. Unsuitable applications or lack of applications are the main reasons why these places remain vacant.

In fact, an apprenticeship in banking is demanding in terms of language skills, analytical ability and a sense of responsibility. These qualities are essential to the possibility of combining a higher professional school leaving certificate with a banking apprenticeship and going on to attend dual training in higher educational establishments or at technical universities. They open the door to many careers in banking and are the hallmark of a successful professional career. That is why stakeholders in the Geneva Financial Center endeavour to offer optimal framework conditions. This is demonstrated by the fact that across all the various branches, banking apprenticeships are among the most sought after. The great majority of these apprentices go on to find an employment opportunity as soon as they have qualified.

In this context, the GFC maintains regular contact with the Department of Public Education, Training and Youth (DIP) as well as with the Geneva Cantonal Office for Professional and Continuing Education (OFPC). GFC also plays an active part in the work of the Swiss Bankers' Association's (SBA) Training Committee. In 2022, discussions centred mainly on the reform of training for commercial employees which is due to enter into force in August 2023.

In order to create greater awareness and attract the young generation to apprenticeships in banking, the GFC presents the banking sector, its careers and training opportunities, directly to students in the 10th and 11th years of the middle school (cycle d'orientation). During these interactive presentations, which were attended by no less than 170 11th year students, a dialogue with apprentices is encouraged. With this same objective in view, the GFC also attended the "Zoom on Careers in Banking and Finance" and Special Direct Recruitment for the Banks, two events organised by the OFPC on 7 and 15 December 2022 respectively.

> **I like to juggle school and work. The two very different atmospheres help me to avoid falling into a routine. Thanks to my apprenticeship, I am much more satisfied with my life. The fact of having responsibilities has enabled me to make enormous progress in terms of organization and maturity**
>
> Thibaud, a 3rd year apprentice

Cité des Métiers 2022

The Cité des Métiers was held at Palexpo from 22 to 27 November 2022. This seventh such event was highly anticipated following a pause necessitated by the coronavirus pandemic. It attracted a record attendance of 100,000 people, primarily younger pupils between 10 and 15 years of age, students from the Greater Geneva area and adults undergoing retraining.

Convinced that the young generation will shape tomorrow's finance, the banking sector was represented on the Geneva Financial Center's (GFC) stand. A campaign on Instagram and Snapchat was organized beforehand to attract this young audience and enable it to identify with three iconic careers: management assistant; relationship manager in commodity trade finance; and commercial client relationship manager. On site, trainers together with their apprentices and interns from 11 banking institutions in Geneva attended this key event in relays over six days in order to answer questions put by interested persons.

The GFC stand was designed to present careers in banking in an educational and entertaining way. A model of a street in the banking district revealed the many opportunities offered by a professional career in banking. A competition and an escape game enabled visitors to play the role of a banker and learn more about the facts and figures behind the Geneva banking sector.

The GFC stand was a huge success, exceeding all its aims in terms of attendance and quality of exchanges between the visitors and bank employees.

"I chose an apprenticeship in banking"

To promote apprenticeships in banking, nobody could be better placed to speak on the subject than apprentices themselves! Three films were made with apprentices from the Geneva financial center in the form of Capsule videos, which are ideal to attract young people's attention on social media and Internet sites. The films were a perfect accompaniment to year-end promotional events such as the Cité des Métiers, the Special Direct Recruitment for the Banks and Zoom on Careers in Banking and Finance.

EVENT

Zoom on Careers in Banking and Finance 2022

Organized each year by the Office for Training and Professional and Continuing Education the Zoom on Careers in Banking was held with face-to-face attendance on December 7, 2022, at HEG Geneva. This event was met with keen interest by the participants who wanted to find out more about the wide range of careers in banking through a presentation by the Geneva Financial Center. They also had an opportunity for a dialogue with recruitment professionals and apprentices.

This information session preceded the “Special Direct Recruitment by the Banks” held at the OFPC on December 15, 2022. 135 participants were able to present themselves in person for an apprenticeship place in their preferred banks. This success is not only linked to the return of face-to-face events, but also to the awareness campaign conducted throughout the year, including visits to the Orientation Cycles and the GFC stand at the Cité des Métiers 2022, Switzerland’s largest careers, training and education fair.

Training maps

The financial sector is wide ranging and offers numerous professional opportunities. It is not always easy to choose the training pathway that suits personal inclinations and the career envisaged.

To provide a clearer vision, the GFC publishes training maps on the following topics:

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

These maps depict training courses leading to certificates and diplomas for three training pathways: full time higher education, higher education while in employment and continuing education.

Defined competences

Geneva Financial Center is the only entity in Geneva to define the competences needed for careers in banking. It accordingly calls upon careers specialists from the Geneva banking institutions.

GFC publishes defined competences for the following careers:

- Management assistant
- Central register employee
- Compliance Officer
- Commercial client adviser
- Back-office bank employee
- Wealth manager
- Portfolio manager
- Relationship manager in commodity trade finance
- Risk manager
- Documentary credits specialist

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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 seeks to represent their diversity.

Commercial and wealth management banks

Denis Pittet* (President, since 28.11.2022)	Managing Partner, Banque Lombard Odier & Cie SA
Yves Mirabaud* (President, until 28.11.2022)	Chairman of the Board, Mirabaud & Cie SA
Laurent Ramsey* (Vice-President)	Managing Partner, Banque Pictet & Cie SA
Nicolas Mirabaud (since 28.11.2022)	Managing Partner, Mirabaud & Cie SA
François Pauly* (until 25.04.2023)	CEO, Edmond de Rothschild (Suisse) SA

Cantonal banks

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

Major banks

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

Foreign-owned banks

Marc-André Poirier (since 28.11.2022)	CEO, CA Indosuez (Switzerland) SA
Jean-François Deroche* (until 28.11.2022)	CEO, CA Indosuez (Switzerland) SA
Peter Gabriele	CEO, JP Morgan (Suisse) SA

Partners

Dominique Fasel	Chairman of the Vaud Bankers' Association
Xavier Oberson	Partner at Oberson Abels SA
Christian Skaanild	President of the Institute for Studies in Finance and Banking and President of the GFC's Strategic Commission for the Banking Professions, Managing Partner, Bordier & Cie
André Tinguely	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
Sonja Tomaiuoli	Assistant

Communication

Chantal Bourquin	Head of Communications, Executive Officer

Promotion, Education and Training

Nancy Détry	Project Manager

PARTICIPATION IN OTHER ORGANIZATIONS

In 2022, the Geneva Financial Center was represented on many external committees and boards, in particular:

- The Retail Banking Committee of the Swiss Bankers' Association
- The Education and Training Committee of the Swiss Bankers' Association
- The Public Affairs Working Group of the Swiss Bankers' Association
- The "Meinungsumfrage" (Opinion Surveys) Working Group of the Swiss Bankers' Association
- The Strategy Committee of the Geneva Economic Development Office
- The Board of the Institute for Studies in Finance and Banking

FINANCIAL SUPERVISION

- The funds held by the Geneva Financial Center are managed by UBS Asset Management
- The accounts are kept by Société Fiduciaire d'Expertise et de Révision SA (SFER), Geneva
- The auditor is Verifid SA, Geneva
- The 2022 accounts were approved at the Board meeting on May 8, 2023
- The Geneva Financial Center is recognized as a public interest foundation
- The Geneva Financial Center is supervised by the Cantonal Supervisory Authority for Foundations and Pension Schemes (ASFIP), Geneva.

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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 in French implies, its aim is to support the GFC and create closer ties between the financial center players.

At the annual general meeting on December 12, 2022, ASFGPF members had the opportunity to listen to a presentation by Jean-Marc Rickli, Head of Global and Emerging Risk at the Geneva Centre for Security Policy (GCSP), who gave a wide-ranging commentary on the war in Ukraine and its geopolitical consequences (see p. 7). His excellent analysis of the challenges surrounding this conflict elicited keen interest and helped to identify its many impacts, especially in the field of finance.

On the same occasion, Yves Mirabaud, who had presided over the ASFGPF since its inception in 2016, passed the baton to Denis Pittet, Managing Partner of Banque Lombard Odier & Cie SA. The Chairman is supported by a committee whose members are Pascal Besnard (Area Manager Geneva, Managing Director, Credit Suisse (Suisse) SA), Gabriele Odone (Market Head for Geneva, Bank Julius Bär & Co. Ltd), Bas Rijke (Managing Director and Member of the Executive Committee of Bank J. Safra Sarasin Ltd), and Edouard Cuendet (Managing Director of the GFC). The committee's membership therefore reflects the diversity of the financial fenter.

In the course of the year, the Association continued to attract establishments representing the different areas of expertise that contribute to the strength and diversity of the financial center; the number of members stood at 44.

The ASFGPF's members had to contend with many challenges in 2022, in particular the consequences of the war in Ukraine and, at a more local level, Geneva's fiscal attractiveness. The stakeholders in the Geneva Financial Center closed ranks in response to those challenges. The organization of events to facilitate exchange of information and the circulation of newsletters and position statements to the ASFGPF members increased the sense of belonging to a sector that is vital to Geneva's prosperity.

ASFGPF

Listening to the needs of all the financial partners enables the initiation of projects that best meet their interests and those of the Geneva financial center

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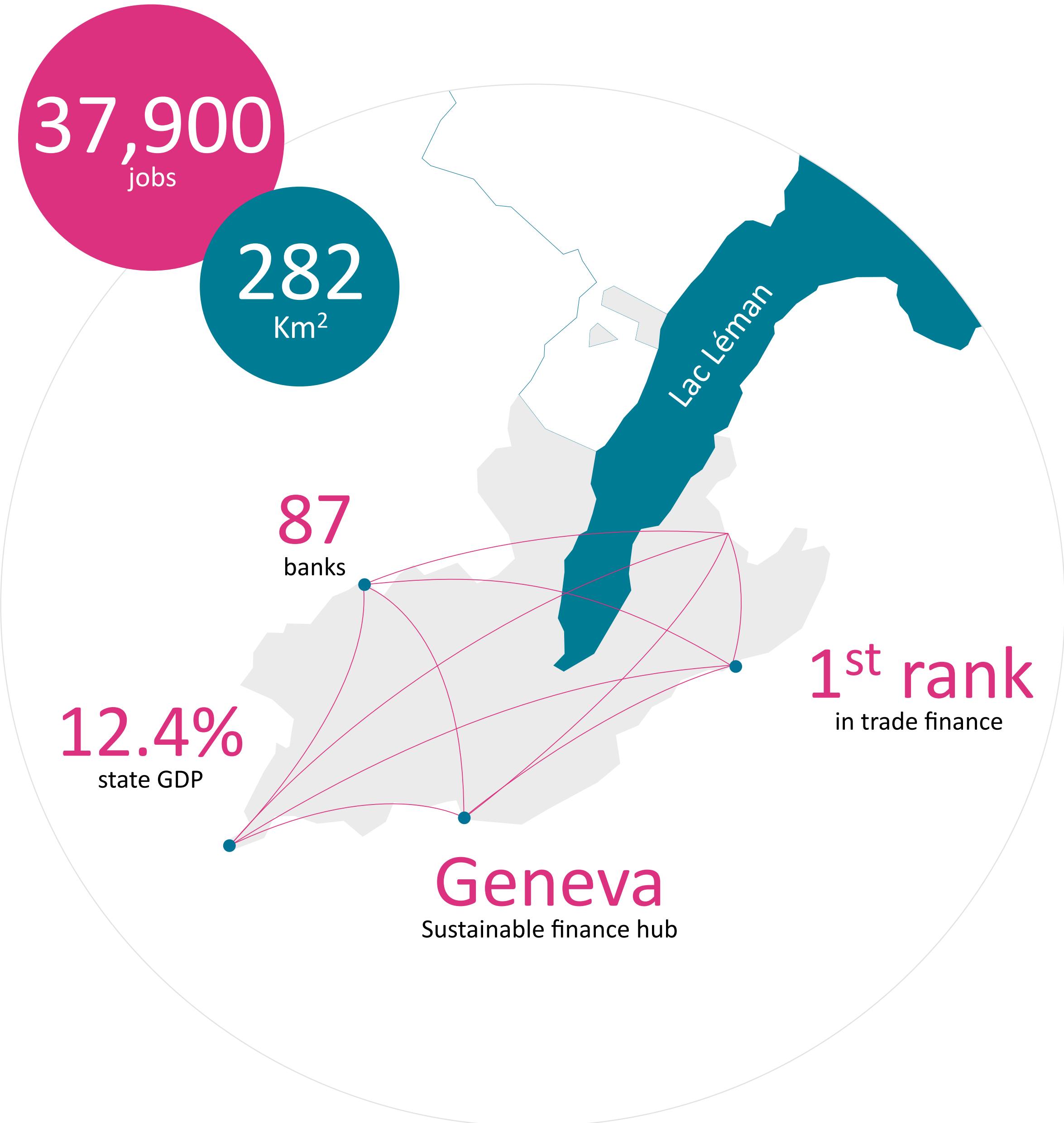
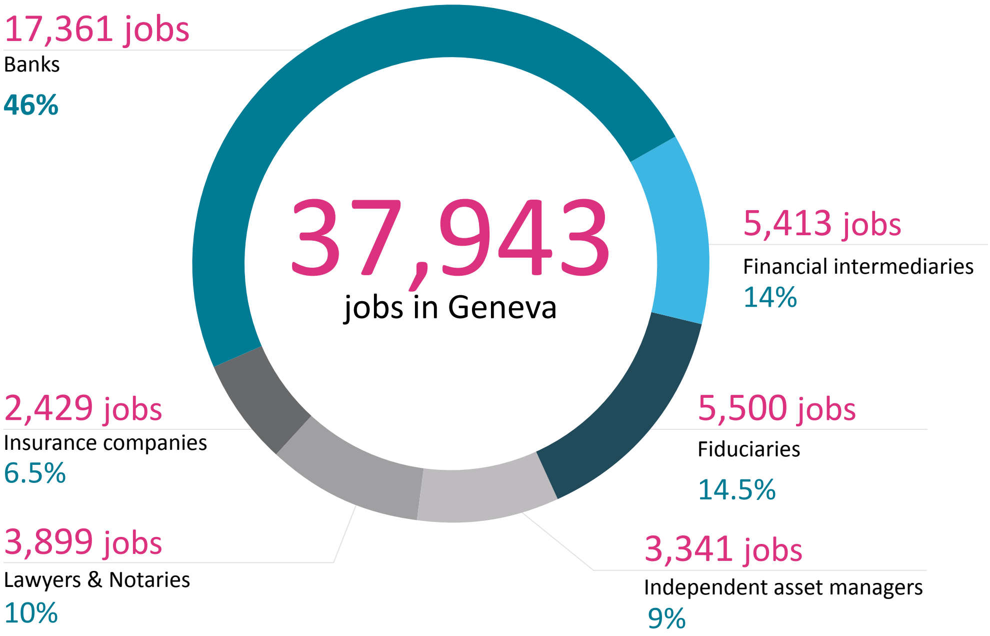
The Geneva financial center in figures

Figures as per September 30, 2022 – next update in October 2024

Geneva Financial Center



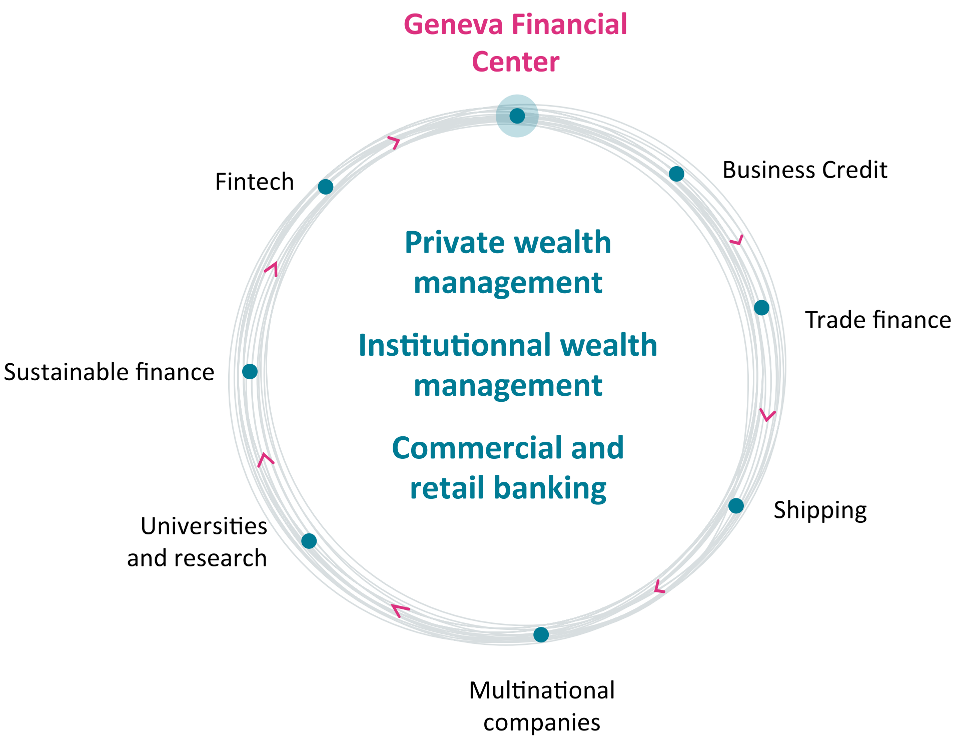
Number of employees in Geneva financial center



Sources : GFC/REG* - Répertoire des Entreprises du canton de Genève (DSE) - September 2022

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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#FGPF