

Message from the President

Towards a pacified public-private partnership

This activity report provides an overview of the main issues that were addressed by the Geneva Financial Center (GFC) and their progress over the past 12 months.

During the past year, the GFC has intensified its efforts to ensure that everything possible is done in Geneva and elsewhere in Switzerland to improve the financial center's competitiveness and enable it to continue to play its role as an economic powerhouse.

Since 2014, the Geneva Financial Center has set itself three priorities: defining competitive framework conditions, promoting the financial center, and reinforcing education and training.

Cooperation with the communal, cantonal and federal authorities is proving essential in all three fields. During the financial crisis – of which 2018 marked the 10th anniversary – relations between the financial industry and the public authorities were at times strained. The paradigm shift that has taken place, in particular as a result of Switzerland's adoption of the automatic exchange of information, has ushered in a new era, that of a pacified public-private partnership.

In that spirit, the Foundation has intensified its contacts with the cantonal authorities, more specifically with the Councillors of State in charge of finance and employment, Mrs Nathalie Fontanet and Mr Mauro Poggia. A constructive dialogue has also been established with the City of Geneva, linked especially to the growth of sustainable finance. Furthermore, 2018 was an opportunity to build a bridge between the two lakeshores of the city of Calvin and develop a plan for synergies between financial Geneva and international Geneva, thanks to conversations with influential people such as Ambassador Christian Dussey, Director of the Geneva Centre for Security Policy (GCSP).

At the federal level, discussions with Mr Jörg Gasser, Secretary of State for International Finance, continued. The issue of access to foreign markets, which is vitally important for our financial center, was highlighted during these meetings.

Legal certainty: a prerequisite for prosperity

In 2018, the GFC rallied first, behind the pursuit of bilateral relations with the European Union by supporting the institutional agreement negotiated by the Federal Council (see p. 11), and, secondly, the much-needed reform of corporate taxation, now known as RFFA (see p. 9). In both these matters, a joint commitment on the part of all economic players holds the key to success.

For the financial center, the concept of bilateral relations assumes particular importance because its activity is predominantly aimed at an international clientele. This is best illustrated by a few figures. Our country is the world leader in global assets managed cross-border with a market share of 27.5%. Just under half the assets under management (48.3%) come from other countries. A substantial share of these assets originates in the EU and a figure of nearly CHF 1,000 billion has been quoted.

This remarkable performance cannot be guaranteed in the future and is a source of envy. As a result, the financial center finds itself facing protectionist measures taken by EU Member States, which are erecting barriers that seek to limit cross-border relationships between banks situated in third countries (including Switzerland) and their own residents.

The framework agreement has the advantage of establishing a credible path for the continuation of bilateral relations between Switzerland and the EU. This is an essential prerequisite for initiating negotiations with Brussels on a treaty giving banks and other Swiss financial intermediaries future access to the European market. Moreover, this step would, in the long run, secure recognition of the equivalence of Swiss stock-market regulations (see p. 11), putting an end to the sword of Damocles hanging over a vital part of our value chain.

Another danger was threatening to make our Center less attractive. Fortunately, the people of Switzerland removed



Yves MIRABAUD
President

the uncertainties surrounding the reform of corporate taxation when they voted in favour of the Federal Act on Tax Reform and OASI Funding (RFFA) (see p. 9) by a majority of 66.4% in the referendum held on May 19, 2019. The reform will enable Switzerland to comply with international standards by putting an end to the special tax status granted to certain enterprises whose main activity is conducted abroad. It will establish equal treatment for all kinds of businesses with effect from January 2020. Applying the principles of federalism, the Canton of Geneva decided by a large majority to introduce a single tax rate of 13.99%.

The banking and financial center naturally welcomes this outcome, which will result in a tax rate reduction from 24.2% to 13.99% in Geneva. This welcome breath of fresh air will enable investment in innovation, human resources and training. The financial industry owes its success to its inclusion in a center of expertise, a cluster that is unique in the world. On its modest territory of 282 km², Geneva brings together key players in private and institutional wealth management, commodity traders and the banks which finance them, together with the giants in the fields of ship chartering and inspection. The Geneva ecosystem also includes many multinational businesses, fiduciary and law firms. The introduction of the RFFA will help to develop this value chain.

The public-private partnership boosts education and training

However, a vision that was confined to establishing framework conditions would be far too restrictive. The strength of the Geneva Financial Center resides first and foremost in the skills of its employees. According to the bank image survey published by the Swiss Bankers Association on May 22, 2019 (see p. 15), 92% of all Swiss citizens consider that Swiss

banks stand out from the international competition thanks to their staff, who are considered to be highly competent. Over 90% take the view that training is a contributory factor to this success.

Nonetheless, the expertise of the leading players in our financial center is not a given. The challenge here is threefold. Firstly, we must continue to attract and retain talent. Secondly, these employees must find their place in the ongoing process of digital transformation. Lastly, with the large-scale retirement of baby boomers and the arrival of young people born after 1990, we are confronted with a real generational change, to which appropriate answers must be found. A partnership between economic and academic circles is therefore vital here as well.

The presence of the GFC at the Cité des Métiers event in November 2018 (see p. 21) was an opportunity for a young audience to discover apprenticeships and careers in banking. Sustainable finance also occupied a prominent position in response to the slogan “Map out tomorrow!” which was chosen for this event.

As a key financial center in the field of wealth management, Geneva grasped this opportunity to create an environment that is conducive to the expansion of sustainable finance. The event, organized jointly by the GFC, the Swiss Finance Institute and the Geneva Finance Research Institute in September 2018, illustrates this trend (see p. 17). The Secretariat of the International Network of Financial Centres for Sustainability therefore took the logical decision to open its offices in Geneva in 2018.

In conclusion, we welcome the fact that forces are now converging from all sides to focus on the essentials and, by doing so, further enhance Geneva’s special strengths, which make it one of the world’s leading financial centers.