

Message from the President



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President

The Financial Center holds its breath

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 enable the financial center to continue to play its role as an economic powerhouse.

According to the study published by BAKBASEL on November 20, 2019, the banks and insurance companies together generated CHF 63 billion in added value, equivalent to 9.4% of Switzerland's total economic output. Finance ranks third in order of importance, ahead of the pharmaceutical industry and retail trade combined.

In the field of cross-border wealth management, which is a pillar of the Swiss financial sector, Switzerland holds a market share of just under 27%, retaining its position as a world leader.

In terms of employment, the financial industry remains one of the biggest employers, generating more than one in 20 jobs in Switzerland in 2018. In Geneva, the workforce remained stable between 2018 and 2019 (see p. 5), despite increasing regulatory challenges and pressure on margins.

These figures demonstrate the strength of our financial center. This is all the more remarkable as the financial institutions find themselves at a crossroads. Firstly, their trajectory will largely depend on future democratic decisions about bilateral relations with the European Union (EU) (see p. 15). On this issue, the Geneva Financial Center firmly supports the conclusion of an Institutional Agreement with the EU and the bilateral path taken by Switzerland. It vigorously opposes the UDC initiative in favour of moderate immigration as a containment exercise (see p. 15), which seeks to terminate the Agreement on the free movement of people between Switzerland and our European neighbours. This initiative, on which the people will be asked to vote on September 27, 2020, poses a real threat to Switzerland's

prosperity. Internal challenges confronting the center include the significant impact of negative interest rates on the performance of the banking and financial institutions, at a time when the effectiveness of this measure is attracting increasingly widespread criticism.

Secondly, the banking and financial industry benefits from excellent opportunities, which it should grasp now. Foremost among them are sustainable finance (see p. 18) and digitalization. However, if these exciting opportunities are to be grasped in Switzerland, they absolutely require an attractive local statutory and fiscal framework (see p. 9). Lastly, education and training (see p. 23) remain a key to the financial center's competitiveness and capacity for innovation.

Sustainable finance is a matter for everyone

In all these fields, the Geneva Financial Center works hand in hand with the local, cantonal and federal authorities. At the federal level, discussion continued at the highest echelons with Federal Councillor Ignazio Cassis (who did us the honour of attending the "Assises de la Place financière", see p. 20), and Mrs Daniela Stoffel, State Secretary for International Finance. Relations with the EU and the problem of access to foreign markets – two issues of vital importance to our financial center – were highlighted during these meetings.

In the same spirit, an ongoing dialogue has been maintained, in particular with Mrs Nathalie Fontanet, State Councillor in charge of Finance, and Mrs Sandrine Salerno, Mayor of Geneva. Sustainable finance was at the heart of the debate with the Canton and City of Geneva. In fact, 2019 provided a good opportunity to state Geneva's ambition to become a key hub of sustainability.

The organization of the "Building Bridges Summit" on October 10, 2019 (see p. 19) helped to highlight Geneva's as well as Swiss financial players' expertise in this field and demonstrate the synergies between financial Geneva and international Geneva. Today, social and environmental aspects

determine investment behaviour more than ever. Figures published in June 2020 by Swiss Sustainable Finance (SSF) prove this too: the volume of sustainable investments made in our country increased by 62% in 2019. More than anything, Geneva occupies a special place as a hub of international organizations, large private foundations and a cutting-edge academic sector, as well as exceptional financial expertise. A shared commitment on the part of the financial and academic sectors, politics and civil society is vital to consolidate these assets.

Covid-19 pandemic and the financial center: an essential national mobilization

The strength displayed by the financial center in 2019 is especially significant in view of the impact of the Covid-19 pandemic on the economy (see p. 6). Coronavirus is a large and systemic shock with a high economic cost. Not only has it delayed work on some of the issues associated with the aforementioned framework conditions; it has also, and above all, shut down many businesses.

Overnight, hundreds of thousands of businesses, from SMEs to multinationals, were suddenly cut off from their customers and suppliers, and confronted with a potentially fatal cash flow catastrophe.

In response to this threat, an unprecedented mobilization was implemented at the instigation of the Federal Council, working in coordination with the Swiss Bankers Association (SBA), FINMA, the SNB, the loan guarantee centers, the various banking groups and, of course, the banks themselves. An initial overall amount of CHF 20 billion was released on March 26, 2020 and subsequently increased to CHF 40 billion on April 3, 2020. The purpose of these amounts was to provide guaranteed loans

to businesses. Since the programme's inception, some 125,000 Covid-19 loans have been granted, representing a total volume of about CHF 15 billion. Of the 589,000 or so SMEs in Switzerland, almost one in five have taken advantage of this measure.

In Geneva, the banks stepped up to the plate in response to the applications made by their client businesses. This decentralized system, which is characteristic of federalism, facilitated the arrangements as the local banks already know their counterparties and are therefore able to respond to their expectations quickly and efficiently, without formalities or wasting time. The banks had to mobilize all their available human resources to deal with this massive influx of applications. Behind these figures lie some exceptionally well-qualified and experienced employees. The introduction of large-scale homeworking, video conferencing and the deployment of new applications enabled innovations to be made for the benefit of the SMEs that were seeking loans. In addition, payments, for which demand was higher than ever due to the volume of transactions, were made without a hitch, thereby reaffirming Swiss leadership in this area.

There is still considerable uncertainty about the duration of the crisis and its economic consequences for Switzerland in general and Geneva in particular, but the banks will doubtlessly remain the lifeblood of the economy by assuming their responsibility as loan providers.

The financial center, economic players and the political authorities will absolutely need to capitalize on the unity that they have been able to show around the Covid-19 loan scheme to strengthen our competitiveness and create new forward-looking initiatives, following the example of sustainable finance.