1

Message from the President

May the financial center emerge stronger from the Covid-19 pandemic!

This activity report provides an overview of the main issues that were addressed by the Geneva Financial Center in the past 12 months.

Last year's most noteworthy event will surely be the impact of the Covid-19 pandemic (see page 7). It has affected all aspects of banking and financial sector activity. In the commercial banking and lending field, we saw an unprecedented mobilisation of the banks with the Covid-19 credits programme guaranteed by the Swiss federal government. A statistical balance sheet can be drawn up for Switzerland as a whole: over 136,000 SMEs, or one in five, made use of these measures. And more than CHF 8 out of 10 credits were granted to small and very small enterprises. The total volume of funds made available stands at CHF 16.8 billion. In Geneva, the amount paid out for this purpose apparently exceeded CHF 1 billion. In other words, the banking institutions rose to the challenge and responded to the applications made by their client enterprises.

With regard to private and institutional wealth management, financial intermediaries were faced with extremely volatile markets during the pandemic. Between late February and mid-March 2020, equity markets fell by around 30%. There has been a strong recovery since mid-April. The banks, independent managers and asset managers have had to meet the expectations of a highly destabilised local and international clientele. As the economic survey conducted by the GFC (see page 5) shows, the Geneva establishments benefited from strong net inflows into money market funds, a trend that was confirmed in the quarterly and later in the annual results published by the banks based in Geneva. These net inflows into money market funds largely come from foreign clients, thereby demonstrating the attractiveness of the Geneva Center in an international comparison, especially in troubled times.

The organisation of the banks was also affected. The introduction of remote working was implemented in record time and on a large scale, since this measure affected as many as 80% of all teams. Such an exercise required substantial resources in terms of human capital, technological solutions and support, not to mention concerns about data security. Clients also had to familiarise themselves with these new technologies at a time when travel was no longer possible. At this point tribute should be paid to the staff who rapidly implemented these measures while the financial markets were suffering from severe turbulence and tens of thousands of applications for Covid-19 credits from companies had to be processed.

The importance of bilateral relations with the EU

The aforementioned factors show that the financial center proved to be exceptionally resilient and is well placed to surmount the current difficulties. The SNB takes the view that Swiss banks in general benefit from strong equity capital, which enables them to address the heightened risks of economic collapse caused by the pandemic. The rating agency Standard & Poor's comes to the same conclusion.

However, if the banking and financial sector is to continue playing this leading role when we emerge from the crisis, the political, legal and fiscal background must be favourable. In particular, this requires progress in the bilateral relations with the European Union (see page 14). The EU is a key market for Swiss wealth management since almost 40% of the private assets managed on a cross-border basis from Switzerland originate from EU Member States, representing assets of more than CHF 1,000 billion. On September 27, 2020, optimism prevailed in the aftermath of the clear rejection by the Swiss people of the "initiative for moderate immigration" (see page. 14). Unfortunately, this vote did not suffice to give new impetus to the discussions with a view to the signing of the Institutional Agreement negotiated with Brussels (see page 14). On May 26, 2021, the Geneva Financial Center noted with regret the Federal Council's

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decision not to sign this Agreement. In the future, it will be essential to stabilise and strengthen bilateral relations with the EU. Particular account must be taken of the financial sector's concerns over access to the market. In this context, it would be fundamentally incorrect to think that the United Kingdom might benefit to a greater extent than Switzerland from its agreement on Brexit. This treaty does not cover financial services. These will be the subject of separate negotiations which are a long way from completion at this stage. In other words, the City operators have lost the European passport which enabled them to provide their services to EU clients from London with no restrictions whatsoever. Their fate is therefore no more enviable than that of their Swiss counterparts (see page 14).

Sustainable finance: an adequate framework for a rapidly expanding center of excellence

The financial center's success obviously does not depend solely on harmonious relations with our big European neighbour. Measures taken internally can also accelerate the growth of innovative areas of banking and financial activities. The latest figures published by Swiss Sustainable Finance (SSF) show that the attraction of sustainable finance is not flagging (see page 17). In 2020, assets managed according to sustainability criteria attained 1,520 billion, 31% up on the previous financial year. In order to meet an increasingly growing demand and redirect financial flows towards a more sustainable economic model, the banks, asset managers and independent managers have developed various strategies.

These cutting-edge skills must be accompanied by a regulatory and fiscal framework to achieve the maximum impact. For example, to strengthen the attractiveness of Geneva and Switzerland as a center for issuing and trading green bonds, withholding tax (see page 12) and stamp duty (see page 12) cannot continue in their present form. They are insurmountable obstacles to the growth of the sustainable capital market in our country. This is why the reform of these two taxes initiated several years previously, but delayed on many pretexts, must be concluded at long last. Published on April 21, 2021, the Federal Council's Dispatch is clearly a step in the right direction.

The CO_2 Act (see page 10) is also an integral part of this landscape of incentives. This legislation focuses on a combination of financial incentives, investments, innovations and new technologies. The Act gives every enterprise the opportunity of reconciling economic efficiency and climate protection. Through the Climate Fund, it also aims to redirect capital flows towards greater sustainability. The Swiss people will decide the future of this legislation when they vote on June 13, 2021.

In conclusion, the Swiss and Geneva Financial Center has been able to retain the confidence of its local and international clientele, despite all the problems posed by the Covid-19 pandemic. For it to continue to merit that trust, it will have to build on its acquired experience, but also innovate constantly in technology and sustainable finance in order to be able to respond to the new challenges. The firm commitment of the authorities will also be vital to establish rules for our country that do not coerce but are competitive and provide incentives. Last but not least, the banking and financial institutions would be nothing without their employees, who provided awe-inspiring proof of this during the crisis.