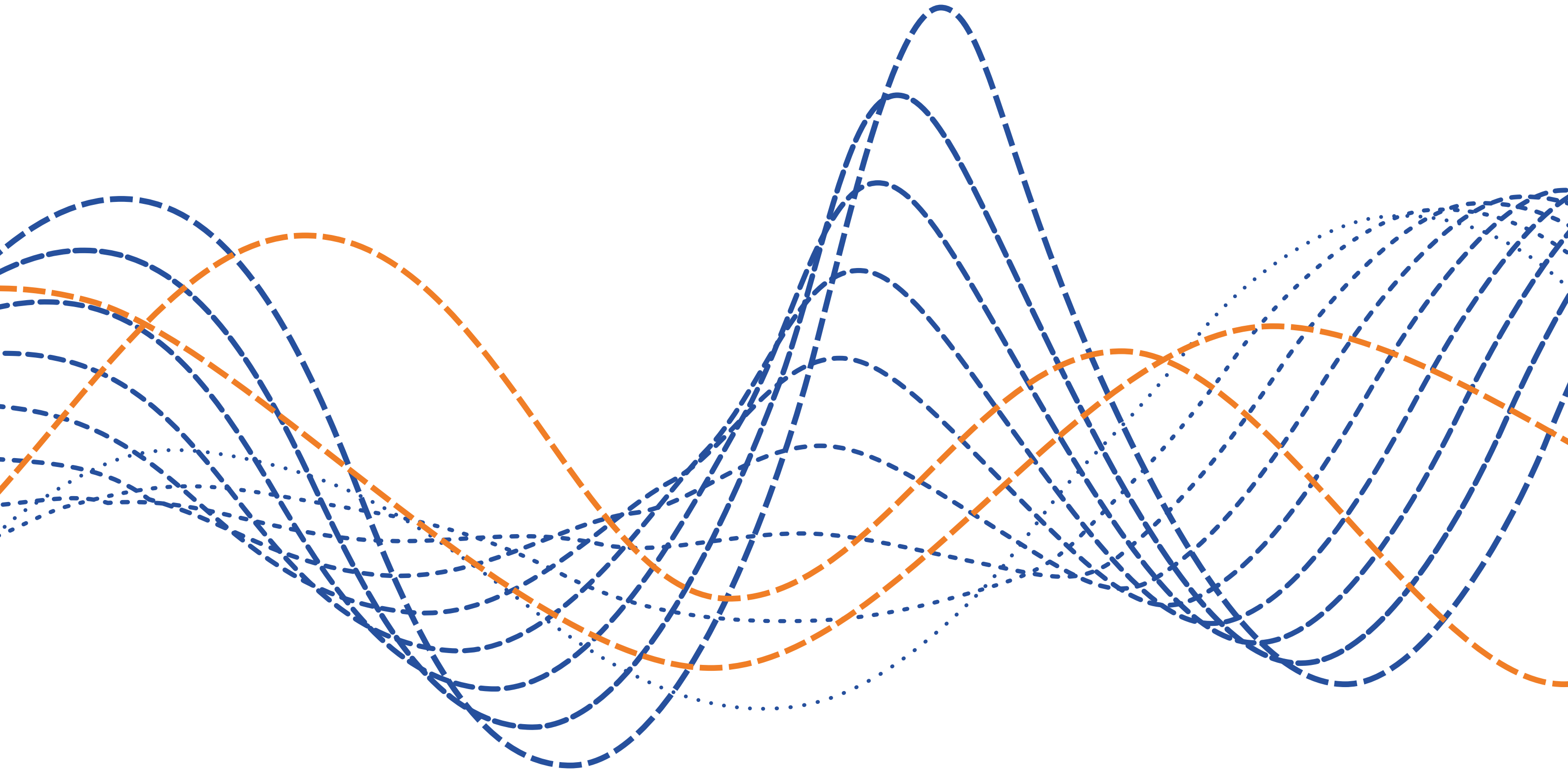
GENEVA FINANCIAL CENTER

ACTIVITY REPORT 2014



THE GENEVA FINANCIAL CENTER IN BRIEF

Created in 1991 by the 80 banks that were members of the Geneva Stock Exchange, the Geneva Financial Center (GFC) is the umbrella association of the financial sector. Finance and banking generate 37,000 jobs and 17% of Geneva's GDP. The three main pillars of the financial sector are private and institutional asset management, commodity trade financing, and commercial and retail banking. With the presence of activities such as marine freight and inspection, Geneva has emerged as an economic cluster with a unique concentration of skills. The central mission of the Geneva Financial Center is to support this value chain and to contribute to the development of optimal framework conditions for all financial center partners.

SUMMARY

A MESSAGE FROM THE PRESIDENT
FOR A COMPETITIVE LEGAL AND REGULATORY FRAMEWORK

It would not be possible to begin this message without first paying our respects to Bernard Droux, the President of the Geneva Financial Center (GFC) from June 2010 to December 2013. His death, on January 11, 2015, deprived us a fine individual, a man known for his human qualities and his exceptional ability to listen. During a very difficult period for financial institutions in Geneva, Bernard Droux helped the industry to engage with other economic sectors. He created the "Assises de la place financière genevoise" as a way to facilitate dialogue among finance and banking professionals and was instrumental in fostering initiatives in the areas of banking training programs and sustainable finance. We are profoundly grateful to him for his contribution to the Geneva Financial Center.

Over the past year, the GFC has made a firm commitment to intensify its efforts in several areas that it has identified as its priority objectives. In order to promote the financial industry, we intensified our contacts with the authorities, economic policymakers and the media. We specifically maintained close relations with members of the State Council and Geneva City Council. We established a particularly fruitful dialogue with Pierre Maudet, the State Councilor in charge of economic affairs. The importance of technological innovation in finance was a central theme of these discussions. Given the fiscal issues currently under discussion, and the significant contribution by the financial sector to cantonal tax revenues, we also naturally met several times with Serge Dal Busco, State Councilor for Finance.

Although not a central part of our mission, meetings with the federal government, including Federal Councilor Johann Schneider-Ammann and State Secretary for International Financial Affairs Jacques de Watteville, were also on the agenda. In all these discussions, we repeatedly stressed that regulation should help boost our competitiveness, not weaken it.

We accordingly voiced strong opposition to the ambitious revision of Swiss financial law undertaken by the Federal Finance Department over the last two years. The purpose of this reform should be to provide Switzerland with a legal system that conforms to international standards and allows the country to achieve equivalence with European law (MiFID 2). Unfortunately, the draft circulated for consultation goes far beyond these priority objectives and is thus a perfect example of "Swiss finish". In simple terms, it places the burden of proof on financial intermediaries, who would thus be assumed guilty until proven innocent, and requires them to pay all legal costs even when the lawsuits against them are judged to be unfounded. This is simply unacceptable. All these measures, as well as the introduction of US-style class actions, are potentially disastrous as they could create a dangerous precedent for other types of economic activity.

The Federal Government has appointed several groups of experts to define a strategy for the future of the financial center. One of these groups, headed by Prof. Aymo Brunetti, submitted its findings in December 2014. This document contains a number of positive points, including a recommendation for improving the regulatory process by institutionalizing a dialogue between the government and the financial sector. In order to ensure that the Brunetti report does not simply remain a paper tiger, the GFC will closely monitor the implementation of the somewhat abstract recommendations set out in the Brunetti report.

On the fiscal question, the GFC adopted a firm position against the abolition of taxation according to expenditure. The initiative was rejected by a clear majority of the Swiss electorate and by almost 70% of voters in Geneva. This result reveals the deep attachment of the Swiss people to the principles of federalism and the competitiveness of the Swiss tax system. The initiative to introduce an inheritance tax will be put to the vote in June 2015. Voters would be well advised to reject it as well, since it would make it much harder to transfer family businesses between generations. If accepted, the initiative may threaten the survival of tens of thousands of family businesses as well as the jobs they create.

The third Corporate Tax Reform (CTR III) that is currently underway is undoubtedly the issue with the most critical implications for the continued economic prosperity of the canton of Geneva. Geneva's financial center is unique in that it is organized as a cluster of distinct, albeit closely linked, economic activities. For instance, wealth management provides assets for underwriting credits and commodity trading. Commodity trading and the financial industry together account for around 40% of Geneva's GDP. However, many of the multinational, trading and shipping companies established in Geneva enjoy special tax regimes that will be abolished under the Corporate Tax Reform III. In order to maintain Geneva's unique value chain, the GFC firmly supports the cantonal government's proposal to replace these special tax regimes with a single corporate tax rate of 13%.

In the area of training, the GFC continues to work closely with the Department of Education and met with its new head, State Councilor Anne Emery-Torracinta, who expressed her strong support for education, from traineeships to fundamental research and continuing vocational training. We took important steps in this direction by participating in the HEC Career Starter Week and in Zoom Métiers 2014, an annual event organized by the Office for Vocational and Continuing Education (OFPC). Geneva has numerous advantages as a financial center. They include its know-how, quality, service orientation and innovation. However, the human factor remains crucial if we are to capitalize on those strengths. Geneva needs to be able to attract, train and keep talented professionals who are capable of meeting current challenges, and more particularly those we will face in the future.

One thing is certain: a strong financial center benefits the entire economy and hence the entire population. The GFC's unswerving commitment to its mission will ensure that Geneva remains a center of excellence for wealth and institutional asset management, trade finance, and commercial and retail banking. These three pillars will continue to underpin the success of the financial center and contribute to the economic prosperity of Geneva. The financial center thus not only plays a useful role; it is also essential to maintain our quality of life, our jobs and our future.

Nicolas Pictet
President

THE CURRENT ECONOMIC SITUATION

The Global Financial Centres Index, published twice a year since 2007 by a British think tank, ranks the world's 80 largest international financial centers according to their competitiveness. New York, London, Hong Kong and Singapore consistently top the list. For many years, Switzerland played an important role as an international center. It was ranked the top financial center on the European continent, but changes to its position in the index over time show that nothing should ever be taken for granted.

In September 2014, Geneva dropped 4 notches to 13th position on the list, thereby falling out of the top 10 (see p. 31). It is true that all European financial centers were downgraded (Zurich dropped 2 notches to 7th place and Luxembourg dropped 3 notches to 15th place), a trend that was especially pronounced amongst offshore centers (Jersey tumbled from 41st to 62nd place and Guernsey plummeted 25 notches to 67th place). Geneva's fall in the rankings was mainly due to regulatory and government actions that were perceived as detrimental to the financial industry. In other words, framework conditions for the industry have worsened and it remains unclear whether the Government is truly committed to improving them.

Geneva ranks lower than Zurich for the simple reason that these two cities compete in different leagues. Whereas Zurich is regarded as a "global leader", Geneva is still perceived as a "global specialist".

The results of the 2014-15 economic survey conducted by the Geneva Financial Center between June and September 2014 confirm this less than positive news. Adjustments that were begun in 2013 have yet to be completed and financial intermediaries remain conservative in their forecasts on jobs and profits.

Job market indicators generally reflect the overall health of the economy and its level of activity, but do not react immediately to economic changes. This explains why almost 300 jobs were created in the banking sector in 2014. The fact that most of this growth was attributable to front office and corporate functions, including legal and compliance, shows the influence that the recent wave of regulation has had on employment trends in the banking sector. As most of these new jobs are in cost centers rather than profit centers, this will undoubtedly affect margins.

Geneva is still well positioned in the rapidly growing wealth management segment, a cross-border activity that is concentrated in Singapore and Hong Kong in Asia, and Switzerland and London in Europe. The Boston Consulting Group and McKinsey both predict that this growth will generate significant profits in 2016 and 2017. However, this sector is essentially an export industry. In Switzerland, its growth is heavily influenced by stock markets, the strength of the Swiss franc and access to foreign markets. Investors are predominantly seeking investment opportunities that offer both security and high returns. This can only be achieved in financial centers where large amounts of capital and highly specialized skills are concentrated.

This model, which is predicated on free movement of capital, was rocked to its foundations by the financial crisis. In October 2013, the British newspaper "The Economist" described the insidious manner in which globalization is being called into question following the financial crisis. Rampant protectionism is taking hold in the form of increasingly stringent regulations and capital controls. These developments pose a serious risk to Geneva. The priority for the Geneva financial center is to preserve access to foreign markets, especially in the European Union, where around 40% of its clients are located. Failure to find a solution at an institutional level may mean that jobs move abroad. In this regard, the 2014-15 survey reveals that London and Hong Kong would be very popular choices if this move were to occur. It is clearly in Switzerland's best interests to keep as much know-how and added value as possible in the country. In this regard, it is important to distinguish between Swiss banks, which may be active anywhere in the world, and banks in Switzerland, which create jobs on Swiss territory.

The recent disappearance of several banks is another telling development. Since 2012, 18 financial institutions in Geneva have either closed down or merged with other banks. In this context, the arrival of the Brazilian group BTG Pactuall, the Banque du Léman and the British online trading group IG Bank sends a positive signal.

Although economic forecasts are conservative, Geneva has all the requirements for success. Its financial center is recognized by its peers and its reputation abroad is excellent. The GFC will continue to pursue its mission of promoting these strengths through its lobbying, promotion and communication campaigns.

FRAMEWORK CONDITIONS
1. FOR A COMPETITIVE LEGAL AND REGULATORY FRAMEWORK

In 2014, in the context of federal consultations, the GFC communicated its position on several laws drafted by Parliament.

Swiss Financial Market Infrastructure Act (FMIA)

This law is particularly important for the banking and financial industry as it applies to the infrastructure of financial markets as well as to over-the-counter derivatives trading. In this respect, Swiss financial intermediaries must be able to rely on a regulatory framework that is recognized as equivalent to the regulatory framework which is implemented by their main competitors. The GFC therefore welcomed the Federal Council's plan to specifically align Swiss law with the new rules adopted in the European Union (EMIR).

However, the GFC emphasized that Switzerland should refrain from taking advantage of the revision of its laws to introduce measures that exceed the requirements of international standards that are in force in this particular area. Such a "Swiss finish" threatens the competitiveness of our financial center in a globalized world.

The GFC further stressed that in order to avoid penalizing Swiss financial intermediaries that are major players in the OTC derivatives markets this legislation should be adopted as soon as possible. The draft legislation should be discussed during the 2015 spring parliamentary session.

Federal Financial Services Act (FFSA) and Financial Institutions Act (FinIA)

In July 2014, the Federal Department of Finance (FDF) submitted two drafts for consultation.

Federal Financial Services Act (FFSA)

In the opinion of the GFC, the law should adhere to European standards for investor protection as defined by the MiFID 2 directive, with the aim of achieving equivalence, as has already been mentioned above.

The GFC therefore strongly objects to provisions in the FFSA that exceed recognized standards, particularly with regard to procedural rules governing civil suits brought by investors.

More specifically, the GFC fundamentally rejects the reversal of the burden of proof that is specified in this Act. Not only does such a measure discriminate against the banking and financial industry, it could also, when combined with the other civil procedure rules stipulated in the FFSA, lead to the application of a different standard of justice to one particular economic sector.

For the same reason, the proposed creation of a legal defense fund for investors, which would be underwritten exclusively by financial service providers, should be rejected out of hand. This provision is particularly objectionable since it would require the service providers to bear all the costs of a lawsuit, regardless of the outcome.

However, the GFC is in favor of strengthening the role of the Swiss Banking Ombudsman, which has stood the test of time.

Conversely, the GFC is unable to comprehend the decision to introduce class actions, the deleterious effects of which are frequently denounced in the United States. None of the large financial centers that compete with Switzerland, except for the United States, allow class actions. Moreover, this type of lawsuit is incompatible with Swiss legal culture as defined by the new Unified Code of Civil Procedure.

The GFC is also calling for the provisions implementing a register of client advisers to be deleted from the law. Such a register makes absolutely no contribution to investor protection while creating a hugely disproportionate bureaucracy. It also fails to take into account the right of investment professionals to privacy.

It is to be hoped that the Federal Council's Message will take these comments into consideration, as they represent the widely shared view of the Swiss banking community.

Federal Financial Institutions Act (FinIA)

Supervision of independent wealth managers is a central component of the FinIA. The GFC agrees that some form of prudential supervision at national level is needed. However, such supervision should be commensurate with the size and activities of the companies concerned. The supervisory rules that are ultimately adopted should not create additional costs that would result in intermediaries being priced out of the market. The principle: "one size does not fit all" is completely appropriate in this context.

Additionally, the GFC firmly opposes an article that reintroduces the approach to fiscal compliance known as the "white money strategy", which was vehemently criticized when it was first submitted for consultation in spring 2013.

It bears repeating that financial intermediaries should not under any circumstances be held responsible for ensuring that their clients are fiscally compliant. Financial service providers should not be turned into de facto tax agents by being required to check their clients' tax documents, which are often established according to foreign legal norms.

It is also unclear whether such an obligation of fiscal due diligence would apply to Swiss clients domiciled in Switzerland as well. If this were the case, the draft FinIA would effectively be short-circuiting the upcoming democratic discussion of the revised criminal tax law, the drafting of which is currently on hold due to strong reservations expressed during the consultation process.

Finally, the principles contained in this "white money strategy" fail to conform to any existing international standards and are also irrelevant, as the Federal Council has already agreed in principle to adopt the OECD standard on automatic exchange of information in tax matters. A consultation procedure on implementing this standard in Switzerland was initiated in January 2015.

For all the reasons outlined above, the GFC recommends that this provision be removed from the FinIA.

Federal Act on the Implementation of the Recommendations of the Financial Action Task Force (FATF)

On December 12, 2014, after several ups and downs, Parliament adopted the Federal Act on the Implementation of the Recommendations of the Financial Action Task Force (FATF).

This document transcribes into Swiss law changes made in 2012 to the recommendations made by the FATF. The main amendments are as follows:

- The introduction of a disclosure obligation for holders of bearer shares and economic beneficiaries of shares in unlisted companies above a certain threshold of equity participation;
- In the area of direct taxation, the introduction of a predicate offence for money laundering in the form of qualified tax fraud, that is, the use of fraudulent documents to evade payment of tax in an amount exceeding CHF 300,000 per tax period;
- A new definition of domestic politically exposed persons (PEP) who are federal government officials as well as PEPs in international organizations and in international sports federations.
- A definition of the due diligence obligations for real estate professionals in the case of transactions involving cash payments in excess of CHF 100,000. These obligations will be explained in detail in a Federal Council Directive;
- Changes to the system for reporting suspicions to the Money Laundering Reporting Office Switzerland (MROS).

This compromise solution allows Swiss law to comply with the recommendations made by the FATF without falling prey to the “Swiss finish”. In fact, the initial draft that was submitted for consultation contained provisions that were more stringent than the international standards in several areas. These discrepancies were resolved through a process of parliamentary negotiation and a satisfactory solution was reached.

Following the adoption of the aforementioned legislation, FINMA issued a new Anti-Money Laundering Ordinance (AMLO-FINMA), which it submitted to a hearings procedure in February 2015. These provisions are specifically designed to implement the principles outlined above.

In light of these various developments, the anti-money laundering measures currently in place in Switzerland should allow the country to face the upcoming FATF review with a degree of serenity.

FRAMEWORK CONDITIONS
2. FOR AN ATTRACTIVE TAX SYSTEM

IN SWITZERLAND

The Geneva Financial Center (GFC) follows the debate on taxation very closely. In fact, Switzerland's international competitiveness and appeal largely depend on the fiscal conditions it offers to individuals and corporations.

Tax issues and natural persons

Taxation according to expenditure (lump-sum taxation)

The GFC has campaigned vigorously against two initiatives at the federal and cantonal level to abolish lump-sum taxation (also known as flat-rate taxation).

It has been pointed out in this context that in Geneva around 700 taxpayers benefit from this regime, which is available only to foreign nationals who are not gainfully employed in Switzerland. Their cantonal taxes contribute around CHF 150 million to the public purse every year. Moreover, because such persons are also major consumers of goods and services, they contribute to creating and maintaining jobs in sectors such as catering, construction, finance, real estate, etc.

If these two initiatives had been accepted, they would have induced these taxpayers to leave both the canton and the country. They would no doubt have been welcomed with open arms by countries with similar lump-sum tax regimes, such as the United Kingdom, which has over 100,000 non-domiciled residents, compared to less than 6,000 throughout Switzerland.

This campaign revealed that the canton of Zurich experienced a fall in tax revenue after the canton voted in 2009 to abolish taxation according to expenditure.

Swiss voters wisely rejected the federal initiative by a 59.2% majority. All cantons except Schaffhausen voted against this initiative. This result reflects the attachment of the Swiss people to the principle of federalism.

In Geneva, the outcome was even more striking as 68.4% of voters rejected the initiative. A large majority of electoral districts of the canton voted against this initiative, including the traditional bastions of the left. The counter-initiative was also rejected by a 56.7% majority.

Federal Inheritance Tax

On June 14, 2015, the Swiss people will be called to the polls to vote on a federal initiative to introduce a federal inheritance tax and gifts tax, which would basically levy 20% on all legacies over CHF 2 million and on gifts. Its effect would be retroactive from January 1, 2012 for gifts only.

The conference of cantonal finance ministers has already made its objection to the initiative abundantly clear since it amounts to a frontal attack on cantonal fiscal sovereignty and the principle of federalism. Following their lead, the Federal Council rejected this initiative outright without proposing a counter-initiative.

The business community, including the GFC, is currently mobilizing to fight a new tax that would have devastating consequences for companies as they would not be exempt. The existence of an inheritance tax would make it extremely difficult to transfer small and medium-sized family enterprises between generations. In the case where a business is the only or main asset in an inheritance, heirs would often be unable to foot the bill. Moreover, deferring tax payments would not be a viable solution. The proposed inheritance tax thus poses a grave threat to the survival of the small and medium-sized enterprises that constitute the backbone of the Swiss economy and which have already been hard hit by the strength of the Swiss franc.

Neither should it be forgotten that the assets targeted by this new tax have already been subject to income and wealth taxes. In fact, by international standards Switzerland is one of the last countries in the world that still taxes private wealth. In Geneva, for instance, the marginal rate of wealth tax is 1% per annum, which is significant.

In view of the situation described above, it is to be hoped that the Swiss electorate will again choose wisely and reject the inheritance tax, just as they massively rejected the initiative to abolish lump-sum taxation.

Corporate Taxation

Corporate Tax Reform III (CTR III)

Successfully reforming the way companies are taxed is vital to ensure the continued economic prosperity of the canton of Geneva as well as the competitiveness of its financial industry and the 37,000 jobs that it generates.

It should be emphasized that the Geneva financial industry is unique is in that it is organized as a cluster of distinct, albeit closely linked, economic activities: wealth management, commodity trade finance, commercial credits and mortgages. This concentration of skills in one small area has attracted numerous commodity trading firms and multinationals to Geneva.

Many businesses and multinational companies benefit from special tax regimes. Reforming corporate tax is therefore essential to ensure that these engines of prosperity stay in Geneva.

The CTR III proposes to abolish cantonal tax regimes, which attract most of the criticism directed at the Swiss corporate tax system. Their abolition should be counterbalanced by measures to help Geneva retain these companies and the tens of thousands of jobs they generate.

In the GFC's view, the following principles should take precedence:

First, the CTR III should be designed for the long term and should conform to international standards (OECD, BEPS), since international acceptance is a fundamental requirement. Consequently, the

GFC does not support the introduction of measures such as notional interest deduction (NID) or the depreciation of hidden reserves (step-up), both of which might be seen by Switzerland's trading partners as an attempt to artificially defer the abolition of cantonal tax regimes.

As a result, the only effective, viable long-term solution for Geneva is to lower ordinary corporate tax. The Geneva Financial Center supports the proposal by the State Council to apply a single rate of 13% to all companies. Other measures being considered as part of the reform package should not detract from this central priority.

Second, the scope of the reform should be limited to corporate tax and not include measures aimed at individuals. However, the CTR III includes a new tax on private capital gains, which is clearly out of place as it affects the taxation of individuals. Such a tax is all the more objectionable as it affects a fiscal base on which wealth and income taxes are already levied.

The GFC has campaigned for many years to eliminate stamp duty, which seriously reduces Switzerland's economic appeal. The GFC thus fully supports the abolition of stamp duty on equity issuances proposed by the CTR III.

Finally, all the proposed measures will have detrimental effects on the tax revenue collected by cantons. The Federal Government should therefore offer suitable financial compensation, especially for cantons that are most severely affected by the reform, such as Geneva. Possible options include a redistribution of Federal Direct Tax or adjustments to inter-cantonal fiscal transfers.

AT INTERNATIONAL LEVEL

Switzerland's Double Taxation Policy

Federal Act on the Unilateral Application of the OECD Standard on the Exchange of Information (GASI)

In February 2014, the Federal Council decided to unilaterally extend the OECD standard on exchange of information on request to all states covered by a Double Taxation Agreement (DTA) insofar as the provisions contained in such an agreement failed to comply with the standard in question.

The main purpose of this decision was to allow Switzerland to advance to stage 2 of the peer-review process conducted by The Global Forum on Transparency and Exchange of Information for Tax Purposes (hereafter "The Global Forum").

In principle, the GFC welcomes efforts by the Federal Government to ensure that Switzerland passes the test set by The Global Forum.

However the GASI has come too late, since the decision to allow Switzerland to proceed to stage 2 was taken on March 16, 2015 at The Global Forum. This consequently begs the question as to whether the draft law will have any influence whatsoever on the future decisions by The Global Forum.

Furthermore, Switzerland has already adopted other measures to meet the conditions set by The Global Forum (amendment of the notification procedure for requests for administrative assistance in tax matters and the identification of holders of bearer shares). The GASI thus appears to be superfluous.

In January 2015, the Federal Council initiated a consultation procedure with a view to ratifying the OECD/Council of Europe Multilateral Convention on Mutual Administrative Assistance in Tax Matters (see below), which makes the GASI even less relevant. A state that ratifies the OECD Convention automatically commits itself towards the other signatories. However, at the end of 2014, 84 states had signed this Convention and its ratification is imminent.

Consequently, as soon as the aforementioned Convention is ratified, the GASI will only apply to a limited number of countries with which Switzerland has negligible economic ties.

For all of the above reasons, the GFC opposes adoption of the GASI.

International Exchange of Information in Tax Matters

Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information (MCAA) and Federal Act on the International Automatic Exchange of Information in Tax Matters (AEOI Act)

It will be recalled that in May 2014, the Federal Council declared that it intended to apply the OECD standard for automatic exchange of fiscal information. Switzerland also played an active part in defining these rules by insisting that they include the principles of specialty, confidentiality and reciprocity.

In October 2014, the Swiss Government signed the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information (MCAA). This document provides for the implementation of standards that were drawn up under the auspices of the OECD.

Insofar as this treaty is not directly enforceable, a federal law would have to be enacted in Switzerland in order to define the methods of application. In January 2015, the Federal Council accordingly launched consultations regarding the Federal Act on the International Automatic Exchange of Information in Tax Matters (AEOI Act).

In practical terms, the AEOI Act requires Swiss financial intermediaries to start collecting information on their clients non-domiciled in Switzerland in 2017, with a view to an automatic exchange of information from 2018 onwards. The actual timing of the implementation will naturally depend on how quickly the law passes through the Federal Parliament, which is involved at every stage of the process, as well as on the possibility of a referendum.

In the opinion of the GFC, one of the essential issues will of course involve compiling a list of the countries with which Switzerland will sign bilateral agreements to implement this automatic exchange of information. In this regard, the Federal Council has announced that it plans to prioritize its negotiations with the European Union and the United States, which is perfectly understandable. However, it is likely to be more selective about including other countries.

Particular attention will have to be paid to ensuring that potential partners respect the basic principles of the rule of law and human rights.

Furthermore, it seems sensible to give preference to countries that have close economic and political ties to Switzerland, and that offer their citizens sufficient opportunity to settle their tax debts.

Above all, it is absolutely essential that improved market access is included in the negotiations on automatic exchange of information.

Lastly, Switzerland must closely monitor the strategies of its main competing financial centers.

According to the principle of the level playing field, Switzerland should in fact refrain from placing itself at a competitive disadvantage by rushing headlong into signing bilateral agreements without considering the strategic positions of its competitors.

OECD/Council of Europe Multilateral Convention on Mutual Administrative Assistance in Tax Matters

The Federal Council included ratification of the OECD/Council of Europe Multilateral Convention on Mutual Administrative Assistance in Tax Matters in the package submitted for consultation in January 2015.

Switzerland signed the above Convention in October 2013. It provides for three types of exchange: on request, spontaneous and automatic.

The GFC is pleased to note that the Swiss Government intends to append several conditions to the Convention before ratifying it, namely in connection with the notification of documents originating from foreign authorities on the one hand, and with the scope of the tax offences concerned, on the other hand.

The Swiss Confederation also intends to submit two supplementary declarations. The first declaration will stipulate that Switzerland will in principle inform the persons concerned before any information is exchanged, and the second declaration will state that no tax audits will be conducted in Switzerland at the request of foreign authorities.

The GFC generally welcomes ratification of the Convention, provided the conditions and declarations are clearly formulated in accordance with the considerations outlined above.

Such an approach is justified, since 84 states had already signed the Convention by the end of 2014 and are expected to ratify it in the near future.

However, the ratification of this Convention by Switzerland requires the Government to abandon its plan to pass the Federal Act on the Unilateral Application of the OECD Standard on the Exchange of Information (GASI), as the Convention would makes it totally irrelevant (see above, p. 12).

COMMUNICATION AND PROMOTION

NEW COMMUNICATION STRATEGY

At the beginning of 2014, the Board of the Geneva Financial Center (GFC) decided to reorganize its activities around three main strategic priorities. The first priority is to advocate attractive framework conditions for the industry. The second is to support the training of professionals in the financial sector and to encourage people to pursue a career in the industry. The third priority is to strengthen the GFC’s promotional and communication campaigns.

In order to implement this third priority, Chantal Bourquin joined the GFC as a member of its Executive Board and its new Head of Communications in September 2014. An experienced communications professional, she is responsible for conducting all the GFC’s campaigns and for coordinating its public relations. She also sits on several committees and working groups of the Swiss Banking Association in the field of communication.

Special consideration was given to the need to improve the GFC's visibility and reputation on the one hand and its positioning on the other hand. As the main spokesperson advocating better conditions for the Geneva Financial Center, the GFC addresses a mixed audience of policymakers, the media and the general public. Its objective nevertheless remains the same in all cases: to explain the role, diversity and importance of the Geneva Financial Center. It plans to achieve this by strengthening its brand and developing new tools. The new communication strategy will be implemented progressively throughout 2015 and 2016.

EVENTS

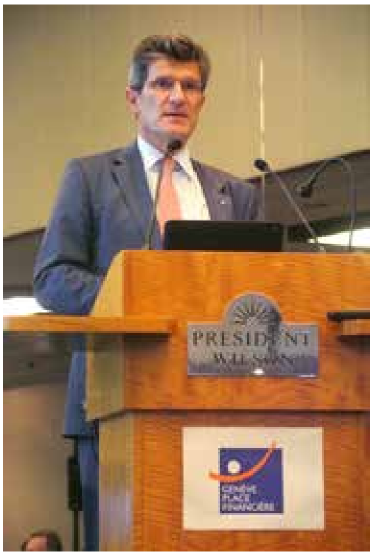
Swiss-Arab Financial Forum

Organized by the Lebanese group Al-Iktissad Wad-Aamal in partnership with the Geneva Financial Center and with the participation of the Arab-Swiss Chamber of Commerce and Industry, this forum took place for the second year running on April 3, 2014 in Geneva, and attracted more than 300 participants from Switzerland and a number of Arab countries.

Several recognized experts shared their views on topics that included the future of wealth management in Switzerland, know-how transfer, the role of Geneva as a prime location for multinational companies, the investment prospects for the MENA region and the importance of the commodity trading sector in both Switzerland and the Arab countries.

Assises de la place financière

This event took place for the third year running on May 20, 2014 and was attended by more than 350 industry professionals. This fixture in the Geneva financial calendar aims to foster dialogue between finance professionals and business leaders. Patrick Odier, President of the Swiss Bankers Association (SBA) and Nicolas Pictet, President of the Geneva Financial Center, discussed the considerable challenges facing the financial center. They stressed that significant effort was needed for Geneva to stay competitive and maintain its lead in an industry that is experiencing continual changes (regulatory pressures, fiscal transparency, market access, consumer protection, etc.). Sara Carnazzi Weber, Head of Fundamental Macroeconomic Research at Credit Suisse, followed up with a fascinating presentation about "Greater Geneva: when growth becomes problematic". The event concluded with a question and answer session.



GFC and GFRI Annual Conference: Philipp Hildebrand

The Geneva Financial Center (GFC), Geneva Finance Research Institute (GFRI) and the University of Geneva joined forces to organize a new annual series of lectures, the first of which took place on November 19, 2014. The three partners were honored to welcome Philipp Hildebrand, Vice-President of BlackRock and former President of the Swiss National Bank. In front of an audience of heads of banking and financial institutions and representatives from academia, he delivered a lecture entitled "Perspectives on the Global Economy".

RELATIONS WITH THE MEDIA

On 14 October 2014, Geneva Financial Center invited representatives from the Swiss and foreign financial press to its annual press conference. The media coverage was significant, with around 40 journalists attending the event. This annual press conference gave the GFC an opportunity to outline its priorities and to discuss the challenges facing financial intermediaries in Geneva, especially with regard to the fiscal question (cf. p. 9). Indeed, an unprecedented number of proposals are currently being debated, including taxation according to expenditure (lump-sum taxation), federal inheritance tax, corporate tax reform and federal tax on private capital gains. This press conference also provided an opportunity to present the results of the 2014-15 economic survey conducted by the GFC every year since 2002 (see p. 4). These topics were addressed by Nicolas Pictet (President) and Edouard Cuendet (Director) respectively. Their presentations conveyed the same underlying message: maintaining the competitiveness of Geneva as a financial center is essential to protect jobs. To this end, a strong commitment by the authorities to promote attractive framework conditions is of the utmost importance.

PARTNERSHIPS AND SUPPORT

Sustainable Finance Geneva (SFG)

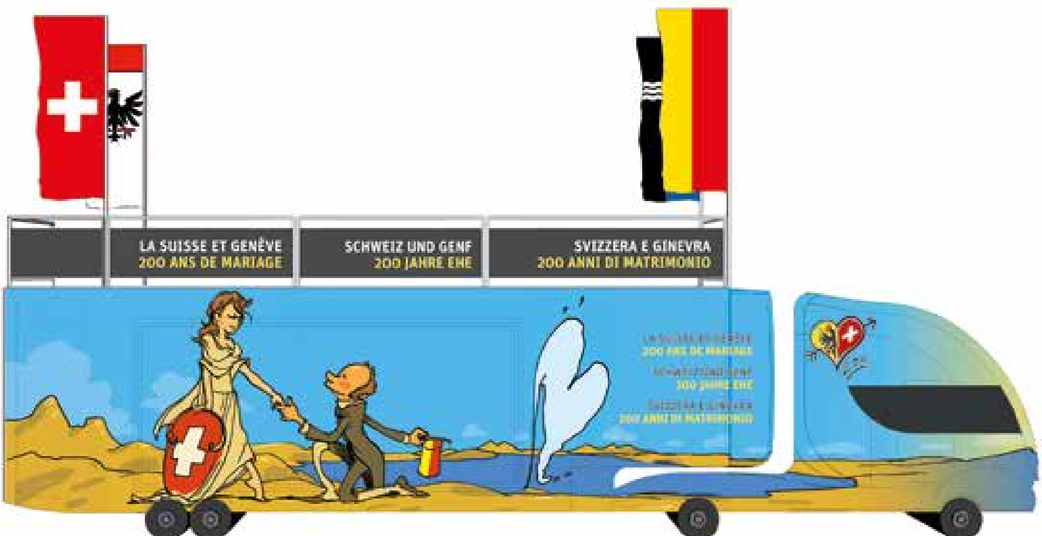
As Nicolas Pictet wrote in the introduction to the book *10 innovations de la finance*, published in 2014 by SFG: "Responsibility is the necessary counterpart to the freedom that we all enjoy. If we wish to avoid the stranglehold of regulation as well as reverse the public's negative impression of our industry, we need to demonstrate a greater sense of responsibility. We shall do so by contributing to the harmony and sustainability of our planet." It is with this objective in mind that the GFC has supported the non-profit association Sustainable Finance Geneva since 2008. SFG helps to strengthen Geneva's role as a world leader in this particularly innovative segment.

Fondation pour Genève travelling exhibition: “Genève à la rencontre des Suisses”

The mission of the Fondation pour Genève is to enhance Geneva's international stature and promote its strengths. The President of the Foundation is Ivan Pictet.

The Geneva Financial Center is co-sponsoring a travelling exhibition organized by the Fondation pour Genève, entitled “Genève à la rencontre des Suisses” (Geneva meets the Swiss) to commemorate the bicentenary of Geneva's union with Switzerland. In spring 2015, the exhibition, which is installed in a bus designed in association with the cartoonist Zep, will travel to 45 towns and cities in Switzerland, as well as to Liechtenstein and neighboring areas of France. Through mobile displays and events, the travelling exhibition aims to educate audiences about the international role of Geneva and its impact on the daily life of every Swiss citizen. The bus's exterior, interior and displays are designed to be fun, appealing and entertaining. Geneva loves Switzerland and is proud to be part of the Swiss Confederation. This is its way of saying thank you.

The bus will leave Geneva on April 18, 2015 and will return to Geneva on June 27, after travelling around Switzerland.



Union des Intérêts de la Place Financière Lémanique (UIPF)

The Geneva Financial Center provides administrative and logistical support for the Union des Intérêts de la Place financière Lémanique, a non-profit association. The UIPF's mission is to inform its members and the public about the challenges facing the financial industry in the Lake Geneva area. Its main objectives are:

- to support the financial industry by publicizing its impact on jobs, consumption and the quality of life;
- to raise awareness among its members and the general public of the contribution by the financial industry to the local economy and the social safety net.

The UIPF also organizes the following free events for its members:

- The Annual General Meeting: over 70 members attended the AGM on May 7, 2014. Frédérique Reeb Landry, President of the Groupement des Entreprises. Multinationales (GEM), gave a presentation on "Corporate taxation";
- UIPF Panel Discussion: this annual event took place on September 22, 2014. Xavier Oberson, a lawyer at Oberson Avocats and a professor of Swiss and international tax law, discussed "The position of the financial sector of the Lake Geneva area in light of recent changes in international and national tax law." The 2014 event was a resounding success, with almost 130 participants.

Finally, the UIPF has approximately 2,200 members, who receive around ten annual issues of the association’s newsletter, which contains articles on economic topics.

EDUCATION AND TRAINING

ENCOURAGING EXCELLENCE

The Geneva Financial Center (GFC) believes that access to highly skilled employees is a central requirement for a competitive financial center. The GFC consequently supports educational initiatives ranging from apprenticeships to fundamental research, as well as professional and continuing education.

The GFC maintains a close working relationship with the Department of Education (DIP) and with banks that offer apprenticeships, in order to identify their needs and provide adequate responses via its two Training Committees (the Banking Skills Strategic Committee and the Technical Committee).

Initiatives by the GFC to develop apprenticeships and links with the Office for Vocational and Continuing Education (OFPC)

The Geneva Financial Center encourages and assists banks in their endeavors to train young people and wishes to improve the image of this training track, which is one of the keys to the success of the Swiss economy. Apprenticeships are an important point of entry into the banking world: more than 90% lead to a permanent position.

A first step towards achieving this aim was a video about banking traineeships ("I chose an apprenticeship in banking"), which was released in September 2012 and can be viewed online at www.edubank.ch.

In 2014, the GFC consulted banking institutions in Geneva to assess the current situation. All of the banks surveyed expressed an interest in the apprenticeship track, including those that had no trainees at the time. However, several factors tend to impede the creation of apprenticeship positions, such as the size of the institution or its infrastructure, as well as the investment in terms of time and human resources. Consequently, a solution would be to make the criteria more flexible and simplify the administrative procedures for institutions that wish to hire apprentices.

The GFC aims to liaise between the financial industry and the cantonal government to encourage measures to facilitate the creation of apprenticeships, by working closely with the Department of Education and the OFPC.

Support for the Geneva Finance Research Institute (GFRI)

The GFC supports the Geneva Financial Research Institute (GFRI), a multidisciplinary institute at the University of Geneva which focuses on research and education in finance. Every year, the GFC awards the Geneva Financial Center Prize to the graduate of the Master's in Finance program who achieves the highest final grade. It also sponsors a year-long Finance Seminar Series.

CHOOSING A PROFESSION

A central objective of the GFC is to serve as an information clearinghouse for careers, education and training in the banking and financial industry, especially via its website www.edubank.ch. As a result, the Geneva Financial Center participates in events that present careers and banking apprenticeships, and develops materials for HR and training managers, for bank staff who wish to undertake further training, and for anyone else who is interested in pursuing a career in banking.

HEC Career Starter Week

On October 8, 2014, the GFC was invited to lead a workshop for students from the HEC (Business School) Lausanne during the HEC Career Starter Week. The purpose of the workshop was to present the main players in banking and finance, current industry trends, and career opportunities. Participation at this event allowed the industry to demonstrate its commitment to higher education.

"Zoom Métiers" 2014

"Zoom Métiers" are career information events organized by the Office for Vocational and Continuing Education (OFPC) for high school students. They consist of presentations to the young visitors and question and answer sessions with professionals and apprentices from the relevant field. The GFC regularly takes part to represent the financial and banking sector. Around seventy students attended this event.

Training Fact Sheets

In 2014, the GFC revamped and redesigned its training fact sheets. Five fact sheets were produced, focusing on the following areas:

- Economics and Finance
- Management
- Banking Operations
- Compliance, Law, Taxation and Accounting
- International Commodity Trading

These new fact sheets list the certified training pathways in full-time, professional as well as continuing education.

They complement existing information materials such as the careers map (an interactive map that describes careers in banking, and the skills, qualifications and training required) and short videos in which banking professionals talk about their career choices, in particular the films "Fulfil your future in banking" (in English) and "I chose an apprenticeship in banking" (in French).

THE BOARD

Geneva Financial Center was established in 1991 by the 80 banks that were members of the Geneva Stock Exchange, with the aim of supporting the development and enhancing the reputation of the financial and banking industry in the Lake Geneva area.

The Board serves the interests of all financial sector participants and aims to represent their diversity to the greatest extent possible.

Commercial and Wealth Management Banks

Nicolas Pictet * (President)	Managing Partner Banque Pictet & Cie SA
Yves Mirabaud * (Vice-president)	Senior Partner Mirabaud & Cie SA
Christophe Hentsch	Partner Banque Lombard Odier & Cie SA
Guy de Picciotto *	President of the Executive Committee Union Bancaire Privée, UBP SA

Cantonal Banks

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

Big Banks

Jean-François Beausoleil *	Director, Geneva Area UBS SA
Serge Fehr *	Area Manager Geneva and Managing Director Credit Suisse

Foreign-owned Banks

Benoît Dumont *	Chairman of the Board JP Morgan (Switzerland) SA
Franco Morra	CEO HSBC Private Bank (Switzerland) SA

Partners

Robert-Philippe Bloch	President of l'Association vaudoise des banques
Pierre Bongard	President of Ordre Genevois de la Chambre Fiduciaire
Xavier Oberson	Lawyer, Oberson Avocats
Antonio Palma	Partner and CEO of Mirabaud & Cie SA, Chairman of the Banking Skills Strategic Committee of the GFC
Jacques-Olivier Thomann *	Honorary Member, former President of the Geneva Trading and Shipping Association

* Members of the Bureau

THE SECRETARIAT

THE SECRETARIAT IS RESPONSIBLE FOR IMPLEMENTING STRATEGIC PRIORITIES DETERMINED BY THE BOARD.

Management, Accounting and General Administration

Edouard Cuendet	Director
Martine Haeuw	Assistant

Communication

Chantal Bourquin	Head of Communications, Executive Officer

Promotion

Sandrine Lamielle	Project Manager

Training

Sibilla La Spina	Project Manager

General Services

Emmanuel Barciella	Manager

FINANCIAL SUPERVISION

- The funds held by Geneva Financial Center are managed by UBS SA.
- Accounts are kept by Société fiduciaire d'expertise et de révision SA (SFER), Geneva.
- Accounts are audited by Verifid SA, Geneva.
- The 2013 accounts were approved by the Board at its meeting on March 6, 2014.
- Geneva Financial Center is a registered non-profit foundation.
- Geneva Financial Center is subject to supervision by the Cantonal Supervisory Authority for Foundations and Pension Schemes, Geneva.

PERMANENT COMMITTEES

BANKING SKILLS STRATEGIC COMMITTEE

The Strategic Committee determines the Geneva Financial Center's education and training strategy. Its members are senior executives of banking institutions in the Lake Geneva area.

The role of the Committee is to:

- define strategies for developing the banking skills required by the Lake Geneva area financial sector;
- collaborate with the Training Committee of the Swiss Bankers Association
- regularly meet with the members of the Department of Education and divisions in charge of continuing education;
- approve the GFC's education and training-related activities and ensure their proper implementation;
- approve and amend rules governing the accreditation of training courses in finance and banking by the Geneva Financial Center and the recognition of diplomas at cantonal level by the Department of Education.

Committee members:

Antonio Palma, *Chairman*	Mirabaud & Cie SA
Jean-Luc de Buman, *Vice-Chairman*	SGS SA
Anita Belitz-Krasniqi	Swiss Finance Institute
Roger Bommer	Banque Lombard Odier & Cie SA
Edouard Comment	Union Bancaire Privée, UBP SA
Edouard Cuendet	Geneva Financial Center
Christian Donzé	Banque Cantonale Vaudoise
Dominique Fasel	Association vaudoise des banques
Claire Hébert Stauss	BNP Paribas (Switzerland) SA
Thierry Lacraz	Banque Pictet & Cie SA
Joan Merino	UBS SA
Olivier Mooser	Raiffeisen Switzerland
Vincent Nicole	Credit Suisse

HR AND TRAINING TECHNICAL COMMITTEE

The HR and Training Technical Committee is composed of Heads of Human Resources and Training from banking institutions in the Lake Geneva area.

The role of the Committee is to:

- advise the GFC on the training needs and expectations of banking institutions;
- review skills guidelines for the banking professions established by industry specialists;
- review applications for the accreditation of financial and banking training programs, and, at the request of the Department of Education, advise on the recognition of diplomas at a cantonal level;
- propose specific actions to the Strategic Committee or respond to its requests.

Committee members:

Edouard Cuendet, *Chairman*	Geneva Financial Center
Stéphanie Bachofner	Julius Baer & Cie SA
Christian Brunet	UBS SA
David Detrey	Banque Pictet & Cie SA
Anaïs Frey	Banque Syz & Co SA
Maryse Gabbay	Credit Suisse
Antoni Gori	Banque Cantonale Vaudoise
Robert Guignard	Banque Raiffeisen d’Arve et Lac
Ofra Hazanov	Banque Privée Edmond de Rothschild SA
Gérald Hirsig, *External Representative*	Geneva Financial Center
Romaine Jordan	Banque Cantonale de Genève
Stefania Méndez	Crédit Agricole (Switzerland) SA
Tony Quilleret	Union Bancaire Privée, UBP SA
Nathalie Perez	HSBC Private Bank (Switzerland) SA
Fabien Smadja	Mirabaud & Cie SA

SECURITIES AND DERIVATIVES COMMITTEE

The Securities and Derivatives Committee represents members of the Swiss stock exchange from French-speaking Switzerland within the Zurich Securities Committee. Issues addressed by the Committee include trading rules, regulations, guidelines and new software versions, as well as the strategic orientation of the SIX Swiss Exchange.

Committee members:

Claude Magnin, *Chairman*	Banque Lombard Odier & Cie SA
Bernard Angéloz	Banque Cantonale Vaudoise
Gery Brodier	Banque Privée Edmond de Rothschild SA
Xavier Gende	Banque Pictet & Cie SA
Alexander Neil	EFG Bank
Alain Privat	Banque Cantonale de Genève
Robert-Wells Quinlan	Union Bancaire Privée, UBP SA

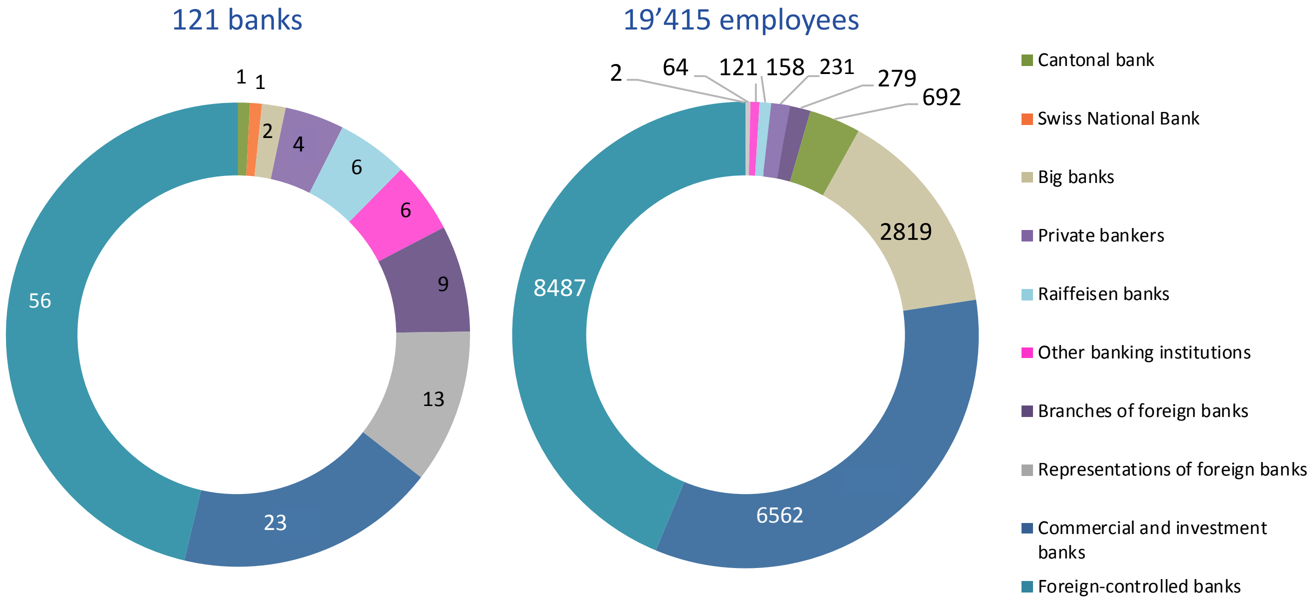
PARTICIPATION IN OTHER ORGANIZATIONS

The GFC is also a member of several external committees and boards, including the following:

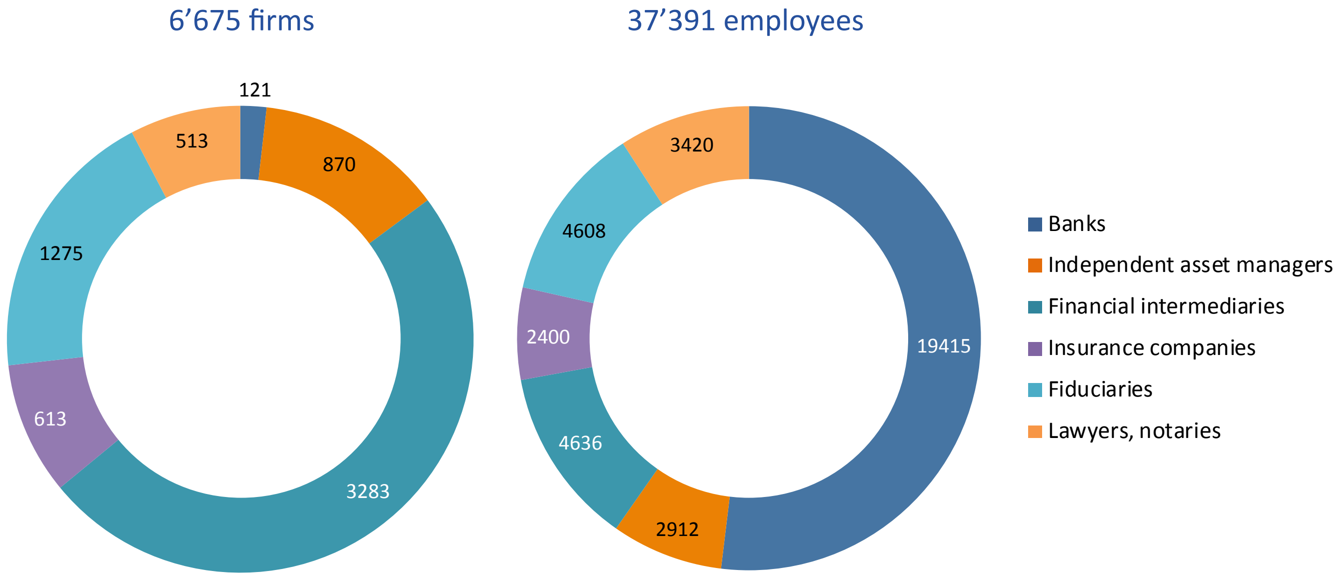
- Communications Committee of the Swiss Bankers Association
- Retail Banking Committee of the Swiss Bankers Association
- Public Affairs Working Group of the Swiss Bankers Association
- Board of Geneva Tourism
- Strategy Committee of the Geneva Economic Development Office
- Board of the Institut Supérieur de Formation Bancaire
- Coordination Group for Activities that Promote Geneva

THE GENEVA FINANCIAL CENTER
FACTS AND FIGURES

CLASSIFICATION OF GENEVA BANKS



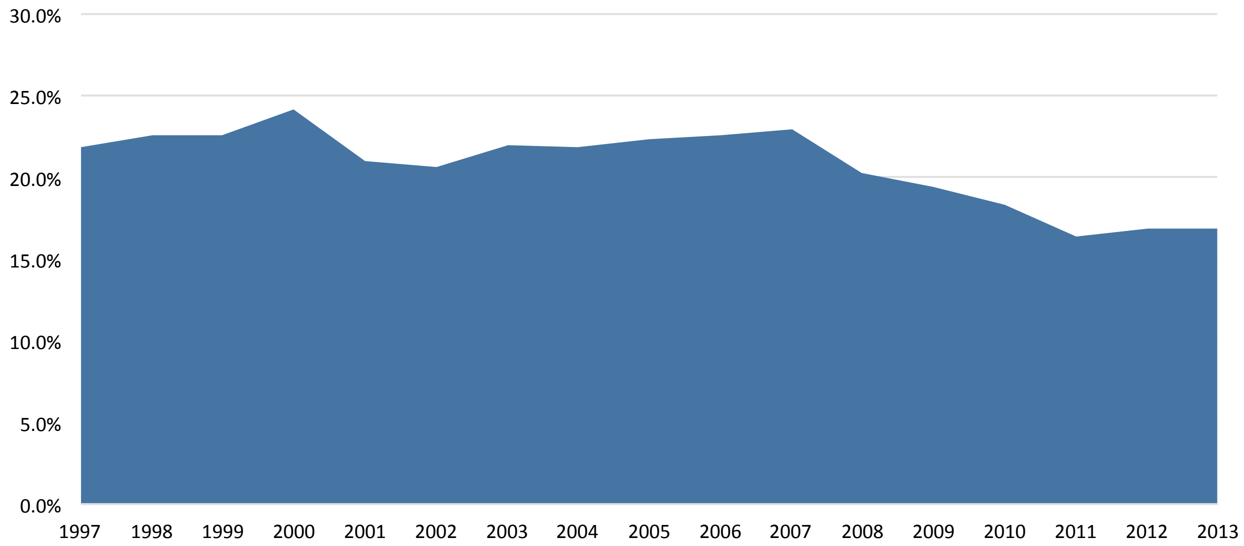
THE GENEVA FINANCIAL CENTER



Sources : FGPF / BNS / FINMA / REG - *Répertoire des Entreprises du canton de Genève* – October 2014

CONTRIBUTION OF THE FINANCIAL SECTOR AS A SHARE OF GENEVA STATE GDP

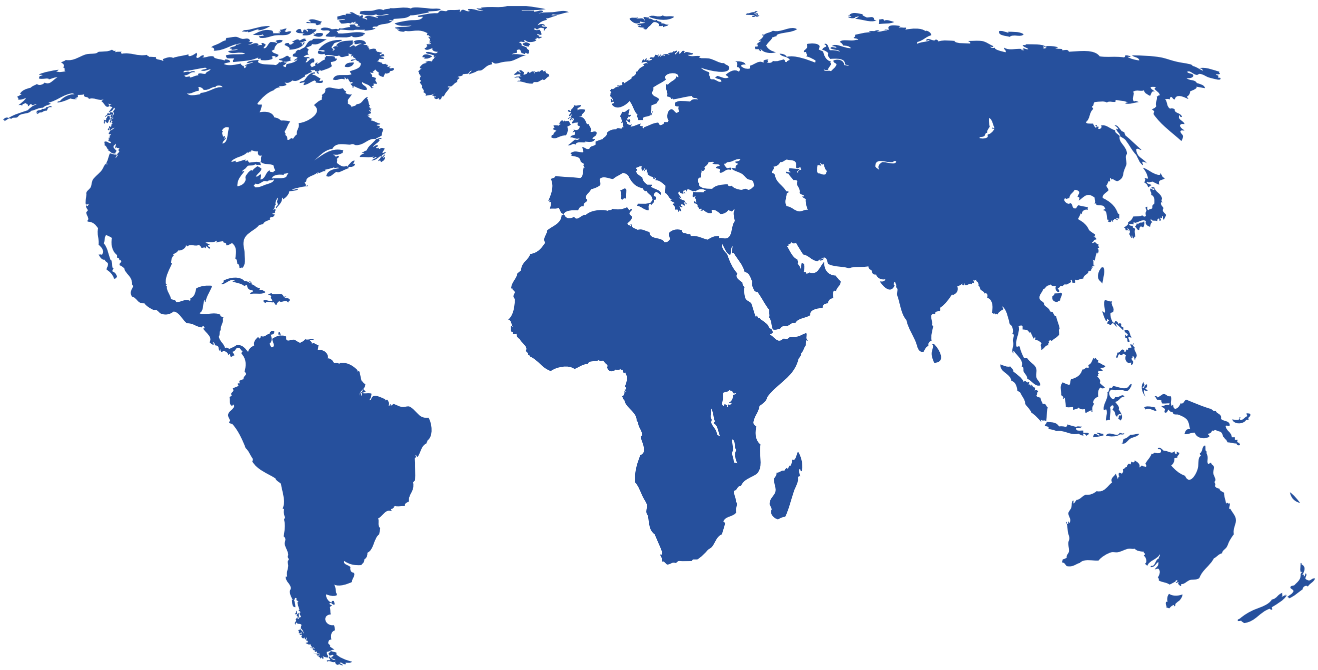
(%)



Source : Institut CREA – July 2014

GENEVA IN THE TOP 20 OF GLOBAL FINANCIAL CENTERS

1. New York
2. London
3. Hong Kong
4. Singapore
5. San Fransisco
6. Tokyo
7. **ZURICH**
8. Seoul
9. Boston
10. Washington DC
11. Toronto
12. Chicago
13. **GENEVA**
14. Vancouver
15. Luxembourg
16. Frankfurt
17. Dubai
18. Montreal
19. Abu Dhabi
20. Shanghai



Source : "The Global Financial Centres Index 16", Z/Yen Group, London – September 2014

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