

# 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