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Message from the President

The Geneva Financial Center: much more than just numbers!

This activity report gives an overview of the main developments in the issues handled by the Geneva Financial Center (GFC) in the past twelve months.

At the end of November 2022, it was my privilege to take over the Presidency of the GFC from Yves Mirabaud. I wish to take this opportunity to convey my warmest thanks to him for the eight years he spent resolutely and unwaveringly working towards a competitive financial sector.

It would be impossible to begin this Message without mentioning a major event that shook the entire Swiss banking sector to its very foundations. The date on which Credit Suisse was acquired by UBS - March 19, 2023 - will remain engraved on all our memories (see page 8). GFC took due note of the measures adopted by the Federal Council, the Swiss National Bank (SNB) and FINMA. It welcomes the aims and priorities defined by the Swiss authorities, namely the long-term stability of the Swiss financial centre, and protection of the Swiss economy and deposit holders, as well as the restoration of confidence of clients and markets in our financial centre. Above all, our thoughts go out to all the employees of Credit Suisse and UBS, in particular the 37,000 employees in Switzerland, including 1,700 in Geneva, who give their customers dedicated service day after day; we hope that the acquisition by UBS will bring them the necessary degree of certainty. This announcement came in a challenging international environment. Tensions surrounding the banking system linked to a liquidity crisis unfortunately spread across Europe and created anxiety as to the potential repercussions on the real economy. In order to maintain the attractiveness of the Swiss financial centre the presence of an international flagship is particularly important.

Value creation, stability and sustainability

The strength of the players in our Financial Center must also be emphasized. The annual results for 2022 published by the various institutions in the Geneva Center show that their equity and liquidity ratios far exceed the statutory

minimums required by the Supervisory Authority. From a broader perspective, the banks, asset managers and other financial service providers performed in full measure the functions that are essential to our society, on a daily basis throughout last year. The Geneva Financial Center generates 12.4% of cantonal GDP and remains one of the biggest contributors to value creation in the canton. As real economic drivers, its players have in particular mobilized the capital needed for the development of enterprises, for their investments and for the implementation of their new business initiatives. They also showed a strong commitment to philanthropy and sponsorship.

The prominent role of the Geneva Financial Center on the international stage is largely attributable to its cross-border activities. Switzerland is the world-leading cross-border wealth management centre, with USD 2,400 billion in client assets under management, compared to USD 2,300 billion for Hong Kong and USD 1,500 billion for Singapore. Geneva is an integral part of the old continent since just under one half of the assets under management originate from European clients. But it is also connected with the financial centres of Asia and the Middle East, as is shown by the 2022-2023 economic survey conducted by GFC (see page 5), making it an indispensable wealth management hub.

However, the Geneva Center's high-level expertise is not confined to private and institutional wealth management. It also excels in commercial and retail banking and in commodity trade financing. Few rival centres can pride themselves on offering such a comprehensive range of banking services.

As a global player, the Geneva Financial Center grasps opportunities as they arise, especially in the field of asset management which benefits from strong growth potential. Ranking 4th among European countries, Switzerland manages 2,488 billion euros. The asset management activity in Geneva merits greater recognition. For this reason, the GFC has established an Asset Management Chapter. In addition, it has developed strong synergies with the Asset



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Management Association Switzerland (AMAS) and accommodates this association's office for French-speaking Switzerland on its premises.

GFC also continues to forge ahead in sustainable finance (see page 20). Home to international and non-governmental organisations, large foundations, a leading university and unique private and institutional management skills, Geneva is among the prominent global hubs in terms of sustainability. A unique competence centre has been created by bringing together experts from the Swiss Bankers' Association (SBA) and AMAS within the GFC. These interactions are contributing to a faster green transition due to incentivizing regulation, an ambitious range of sustainable products and solutions, and the development of education and training. The "Building Bridges" event (see page 21), of which GFC is a founding partner, enables all the stakeholders to be included and progress in this innovative area to be consolidated.

Attractiveness cannot be decreed: it must be earned!

An entrepreneurial spirit focused on innovation must be backed by optimal framework conditions (see page 7), in terms of regulation, taxation as well as education and training (see page 25). However, the attractiveness of the Geneva Financial Center is being sorely tried by the wave of cantonal initiatives in the tax sector (see page 15). Geneva is not an island: it has to contend with intercantonal and international competition. It is living on a fragile fiscal pyramid since 4.2% of all taxpayers generate more than 48% of income tax, while more than 36% of taxpayers pay no income tax at all. The proliferation and frequency of these cantonal initiatives foster a feeling of uncertainty which is anathema to Geneva's attractiveness and economic prosperity. In order to make its concerns better known, GFC has strengthened its contacts with the Geneva Council of State and with the umbrella organizations that represent the economy. In particular, it has circulated position statements on the tax matters that are being put to the vote.

According to the 2023 Banking Barometer produced by Ernst & Young in January 2023, the banking sector is proving resilient and has now reached a turning point: as a consequence of the war in Ukraine (see page 7), high energy prices (see page 9), rising inflation and higher interest rates, the emphasis will in future be placed on cost-effectiveness, sustainability and talent management. The latter is in fact the foundation on which the Financial Center's success is built, and education and training (see page 25) are its cement.

There are several pathways to careers in finance: the majority of employees (43% according to the Swiss survey of the active population at the end of 2020) hold a university degree, while one quarter (27%) have taken a course of basic professional training (see page 27). In order to maintain their standard of excellence, the emphasis continues to be on continuing education. That is why the GFC ensures the provision of the widest range of training opportunities possible, by working hand in hand with all the service providers concerned, whether the University of Geneva, the Haute école de Gestion Genève (HEG) or the Institute for Studies in Finance and Banking (ISFB). These efforts have provided the impetus necessary for closer cooperation between the private and public sectors and have improved the quality of banking courses in Geneva. Fintech (see page 10) is an outstanding example. For 30% of banks and independent wealth managers, success of the digital transition must be accompanied by better education and training. Many courses have now been set up in the fields of commercial and retail banking as well as in wealth management; these are the activities in which employment trends associated with digitization are most apparent.

In conclusion, Geneva Financial Center cannot be summarized solely in numbers. It is founded on the diversity of its players and on the added value contributed by its 38,000 employees. GFC is tasked with identifying the needs of the sector, creating a stable environment and instilling a spirit of innovation. But today more than ever before confidence is key.