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Message from the President

Success is achieved by uniting all the stakeholders' strengths

This activity report provides an overview of the main developments that have taken place in the past twelve months in the areas monitored by the Geneva Financial Center (GFC).

In 2023, the GFC was engaged in three priority areas: taxation, education and training, and sustainable finance. This strategy involving three key areas was designed to respond to the major issues: taxation proposals put to the popular vote (see page 14); reinforcement of the culture of excellence among the 38,000 employees in the Geneva banking sector (see page 27); and promotion of Geneva's unique position in sustainable finance (see page 21).

The 2023-2024 economic survey (see page 5) shows that financial operators were able to bounce back after 2022, the year which saw a decline in the financial markets. Robustness and dynamism thus prevailed, in wealth management activities in particular. This positive climate is confirmed by the EY Banking Barometer 2024. The majority of the banks that were questioned expect to see higher revenues in future; this shows that they are confident in their ability to create value, despite a challenging geopolitical situation and persistent inflation in some countries. This is good news for the Geneva economy as a whole since the financial industry alone, with its 38,000 employees, accounts for 13.1% of Geneva's gross domestic product (GDP).

Taxation: supporting entrepreneurial activity

Recent years have seen a surge in the number of draft laws and cantonal initiatives in the area of taxation. This phenomenon is generating a climate of uncertainty and instability that is detrimental to our economy.

Confronted with this threat, the GFC has played a resolute part in a coalition formed with umbrella organisations. It has also circulated unequivocal position statements and written articles on the taxation issues on which votes were to be taken. These actions contributed to the victories in the ballot boxes in 2023.

On 12 March 2023, by just under 60% of the votes cast, the people of Geneva rejected Initiative 179 which sought to impose a 100% tax on the dividends earned by shareholders with an equity holding in excess of 10%. On 18 June 2023, citizens voted by over 55% against Initiative 185 which proposed a 50% increase in wealth tax, despite the fact that it is already the highest in Switzerland. This rejection undoubtedly prevented the highest taxpayers from going into exile, so further increasing the fragility of the Geneva fiscal pyramid. The fact is that just 1% of taxpayers generate almost 66% of all wealth tax. With these two votes, the people of Geneva expressed their support for entrepreneurial activity and for the SMEs which are at the very heart of the local economy.

2024 is likely to be a pivotal year on the taxation front too. At federal level, the financial transaction tax (FTT) in connection with the initiative for a 13th OASI pension payment is a subject of lively debate in Parliament (see page 14). In view of its extremely volatile nature, the FTT is not an adequate response to the OASI financing requirement. Above all, it would cause an inexorable outflow of capital towards competing centres which do not impose such a tax. At cantonal level, the Council of State became aware of the importance of reducing the tax burden on work and equipment (see page 14). The Grand Council followed suit by adopting a draft law to this effect. As it has unfortunately been challenged by a referendum, this draft will be put to a vote. It is to be hoped that, as was the case in 2023, support for entrepreneurship will win the day at the ballot box.

**Education and training:
emphasis on public-private partnerships**

The strong basis of trust in the economic operators relies heavily on education and training (see page 27). According to the biennial opinion poll published by the Swiss Bankers Association (SBA) on the image of Swiss banks (see page 20), 90% of all Swiss citizens regard education and training as a contributory factor to success, second only to economic and political stability. The respondents take the view that training programmes in the banking sector should be developed further in order to strengthen competitiveness. That is why the GFC has paid particular attention to the development of collaborations with top-quality training providers. The

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Institute for Studies in Finance and Banking (ISFB) and HEG-Geneva have entered into a strategic partnership supported by the GFC in order to establish a unique programme of continuing education in bank management in the French-speaking part of Switzerland in 2024 (see page 28). Moreover, in the wealth management sector, the Geneva Institute for Wealth Management (GIWM), set up by the Geneva Financial Center and the University of Geneva seven years ago, contributes to training talented people in the field of wealth management by placing the emphasis on sustainable finance (see page 29). Again at university level, the Certificate of Advanced Studies in Compliance (CAS), established 20 years ago by the Centre for Banking and Financial Law at the initiative of the GFC has become the Swiss standard (see page 28). Last but not least, Master Classes organised jointly by the Swiss Finance Institute (SFI) and the GFC enable personnel in the Financial Center to develop their skills (see page 29).

Sustainable finance: speaking with a single voice

The same shared determination on the part of private and public operators prevails in order to expedite the sustainable transition. The top-level associations of banks and finance have established a coordinated approach in order to ensure appropriate implementation of the Federal Council's position on the prevention of greenwashing (see page 12). They have also aligned their positions in response to the consultation by FINMA regarding a new Circular on "Nature-related financial risks" (see page 13). This resolute involvement seeks to promote self-regulation and position Switzerland as a key international centre. The fourth edition of the "Building Bridges" conference of which the GFC is a Founding Partner is another example of the need to build bridges between all the stakeholders.

Market access, attractiveness and artificial intelligence on the menu in 2024

"United we stand" is a slogan which will come into play again next year. The GFC has defined a 3A strategy: Access to the market, Attractiveness and Artificial intelligence. The 2023-2024 economic survey underscores the extent to which access to the European market remains a priority for the Geneva financial operators, particularly in order to retain job opportunities in Switzerland. More than two years after the abandonment of the Framework Agreement, a key step has recently been taken with the adoption by the Federal Council of a negotiating mandate. Under the aegis of the SBA, the Swiss Financial Center has developed a so-called "institution-specific" approach (see page 16). In essence, the aim is for interested institutions to register with a central European authority in order to obtain a passport enabling them to actively provide banking and investment services throughout the territory of the European Union (EU). Such a solution has already been in existence for a long time with the US regulator (SEC). Acting jointly with its counterparts in Zurich and Lugano, the GFC has for the first time in history adopted a joint approach with the Federal Council. This concerted action has contributed to the inclusion of the "institution-specific" approach in the resumption of the regulatory dialogue, scheduled for summer 2024 between Switzerland and the EU.

With regard to the attractiveness of the Financial Center, overregulation ("Swiss Finish") should be avoided and the priorities should be set for the implementation of the measures adopted as a consequence of the Credit Suisse crisis (see page 8). Better liquidity provision by the SNB should top the list of recommendations. The adoption of targeted and proportionate measures with regard to remuneration and responsibility is also recommended. Lastly, FINMA's supervisory activity could be optimized.

In conclusion, the GFC must set its sights resolutely on the future and in particular be capable of mastering the challenges of the digital revolution, as the development of the Financial Center largely depends on its ability to innovate. That involves far-reaching changes in occupations, necessitating the provision of flexible and customized training courses. Artificial intelligence is also opening up new horizons (see page 11). They should be explored without preconceptions, and with insight, trust and vigilance.