FONDATION GENÈVE PLACE FINANCIÈRE
GENEVA FINANCIAL CENTER

Strength in unity

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Ladies and Gentlemen,
Dear journalists,

Thank you for joining us today for the annual press conference of the Geneva Financial Center (GFC). Like every year at the same time, we look forward to presenting the principal issues facing the Geneva financial centre today.

The results of the 2024-2025 Economic Survey, which Edouard Cuendet will discuss in greater detail shortly, demonstrate the **strength**, **clear-sightedness, and vigilance** of the Geneva financial sector.

First, the financial sector remains a **solid** pillar of the Geneva economy. Thanks to its 38,000 high value-added jobs, it continues to be a key driver of the local economy. Its financial contribution is also significant, accounting for 12.9% of the cantonal GDP.

Moreover, public perception of the banking sector remains largely favourable. According to a survey conducted by the Swiss Bankers Association (SBA) this past spring, 60% of Swiss citizens have a positive opinion of banks, despite the widely reported announcement of UBS's takeover of Credit Suisse and the shock wave that ensued. Banks are still seen as an important source of employment, unsurprisingly, given that 5.2% of all jobs in Switzerland are dependent on the banking sector. In Geneva, this figure is as high as 10%.

Second, banks and financial companies are **clear-sighted** about the geopolitical uncertainties we all face. Over the past two years, these risks have both accelerated and grown more complex, from war in Ukraine and strife in the Middle East to the worsening trade dispute between China and the United States, not to mention tensions in the United Kingdom and France, among others.

Given our industry's strong international orientation, geopolitical risks are a significant factor in decision-making. According to a study conducted by the Swiss association of company directors SwissVR in collaboration with Deloitte, 59% of companies say that geopolitical risks are a constant concern for their boards. An economiesuisse survey published this past June reports that more than 20% of companies rank such risks higher thank the lack of qualified staff or exchange rate risk.

Lastly, the adoption of a favourable regulatory framework is a **central priority** for the Geneva financial centre. Our focus in on three issues in particular: access to the European market, regulation, and taxation. I will discuss all three in greater detail later.

To address these challenges, the Geneva Financial Center has defined three strategic priorities: access to markets, attractiveness, and artificial Intelligence (AI), otherwise known as the "three A's".

Access to the European market: a priority for the financial centre

Switzerland is a global leader in cross-border wealth management, with a market share of around 25%. Wealth management is an export industry in the classic sense of the term, in that its services are produced mainly in Switzerland while two-thirds of its customers are domiciled abroad.

According to SBA figures, customers based in the European Union (EU) account for 40% of the cross-border private assets managed in Switzerland, totalling approximately 1 trillion CHF in assets. Swiss financial intermediaries employ around 20,000 highly qualified professionals to serve these international customers. Unfortunately, lack of access to the European market is a major handicap for the Swiss financial sector, forcing Swiss companies to increase their staff in EU countries every year rather than create jobs in Switzerland.

To access these markets, one option is for banks and wealth managers to set up foreign subsidiaries. But that is an expensive solution. A much better one would be to allow them to provide services from Switzerland, where most of their employees are based. This would also ensure more of the value thus created remains in Switzerland.

This concern is reflected in our annual Economic Survey, which Edouard Cuendet will present next. More than half of banks with over 200 employees stated that lack of access to the European market is likely to structurally change their business model in a significant way.

The financial sector is far from a passive observer of this situation. Under the auspices of the Swiss Bankers Association, the Swiss financial industry has proposed an SEC-like "institution-specific" approach to European markets. This approach includes the creation of a single European authority with whom interested financial intermediaries would be able to register to obtain a "passport" authorizing them to offer banking and investment services throughout the EU. This voluntary registration would obligate Swiss banks to comply with applicable European law when providing services to customers domiciled in the EU.

In an historic first, the Geneva Financial Center joined forces with its counterparts in Zurich (Zürcher Bankenverband) and Lugano (Associazione Bancaria Ticinese) to petition the Federal Council in support of this approach.

As a result, the "institution-specific" approach was included in the dialogue on regulation between Switzerland and the EU which resumed in the summer of 2024. Our objective is to ensure this approach is discussed with the European Commission and included in either a bilateral agreement or an upcoming revision of European rules on third countries.

On this point, the Berne Financial Services Agreement signed by Switzerland and the United Kingdom in December 2023 pioneers an innovative model that could serve as a blueprint for similar treaties with other countries. Indeed, its purpose is to enhance cross-border market access for a broad range of financial services through mutual recognition of existing banking regulations and supervision.

The Geneva Financial Center believes that education and training also play an essential role in our relations with the EU. This is another important priority for the Geneva financial sector. In this regard, the inclusion of Swiss institutions in EU research, innovation and training programmes, such as Horizon 2021-2027 and Erasmus+, is of paramount importance. Indeed, the excellence of the Geneva financial centre relies above all on the talent it can attract. These research programs contribute to developing the skills of future banking and finance professionals. Another good reason for reaching an agreement with the EU is to prevent a repeat of 2021, when Switzerland was abruptly excluded from most of these programmes. A majority of the Swiss population seems to agree, according to a gfs.bern survey: more than two-thirds of respondents said they were in favour of a resumption of the bilateral negotiations with the EU and more than 70% approve the content of the current package of measures.

In conclusion, Switzerland would be well advised to remove barriers that lessen its attractiveness. This leads me to two consider to other key factors of competitiveness: regulation and taxation.

Attractiveness: regulatory and fiscal incentives

Following the takeover of Credit Suisse by UBS, the Federal Council published a report on Switzerland's **“too big to fail” policy** (TBTF)**.** To reinforce this policy, the Federal Council has proposed 22 measures that can be implemented immediately and 7 others that would need to be further developed. The Federal Council will consider the conclusions of the Parliamentary Commission of Inquiry (CEP) before implementing these measures.

The measures fall into three broad categories:

- Strengthen prevention: this relates mainly to capital requirements, managers' liability and remuneration. The question of whether FINMA should be granted the power to impose fines will also be examined.
- Reinforce liquidity: this would involve a considerable expansion of the SNB's liquidity supply facilities. Additionally, a Public Liquidity Backstop (PLB), or liquidity guarantee, would be written into the law.
- Expand policy responses to crises: during a financial crisis, systemically important banks need be able to exit the market in an orderly manner. Additionally, crisis management and collaboration between governmental authorities must be examined.

The Geneva Financial Center’s position regarding this policy rests on three fundamental principles.

First, the principle of proportionality must apply to any measures adopted, to reflect significant differences in size and legal form amongst banking institutions and avoid the perfectionist tendency known as the "Swiss finish". Indeed, the diversity of our Swiss financial industry contributes to its success compared to its international competitors.

Second, the central bank’s liquidity supply must be increased. The SNB should be allowed to accept more types of collateral, including Lombard loans, and loan procedures should be more flexible. Expanding liquidity facilities will reduce reliance on the government guarantee.

Third, a wholesale increase in capital requirements would put Swiss banks at a serious competitive disadvantage. Swiss capital requirements are already among the highest in the world.

It bears repeating that Switzerland will be applying the new Basel III rules starting on 1 January 2025, whereas the EU, the United Kingdom, and the United States have all decided to delay the implementation of this international standard.

In brief, the Federal Council has proposed a raft of measures that are impressive in their scope but still vague as to how they will be applied. We need to be especially vigilant to avoid that their implementation leads to a regulatory surge that could penalize not only the financial sector but also the Swiss economy.

Similarly, **fiscal policy** should prioritize stability and attractiveness.

Regulatory developments at the international level and, at the national level, the financial transaction tax (FTT) and the "Initiative for the Future" launched by the youth branch of the Swiss Socialist party, are beyond the scope of my remarks today. Prof. Xavier Oberson will discuss the latter two issues in depth later.

Instead, allow me to dwell briefly on the rejection by the Geneva electorate on 22 September of a bill to lower the cantonal wealth tax charged to business owners on the value of their company.

To be perfectly blunt, the rejection of this reform of the tax code is a missed opportunity. Its aim was to stimulate entrepreneurial activity and support SMEs. Unfortunately, its rejection means that Geneva remains the canton with the highest wealth tax for business owners, up to ten times higher than elsewhere in Switzerland. This does little to encourage job creation and investment in research and innovation in our canton.

Fortunately, this missed opportunity is not a dead-end for the financial sector. There are still many openings for enterprising companies to flourish, especially in the field of artificial intelligence (AI).

Artificial intelligence: An opportunity with many challenges

The capacity to innovate confers a substantial competitive advantage. And Switzerland is one of the most competitive nations in the world, according to the World Economic Forum (WEF) and IMD Business School ranking. Our nation also places top of the WIPO Global Innovation Index 2024. Switzerland is thus among the countries best equipped to cope with technological change, thanks also to its substantial investment in digital infrastructure and the capacity of its companies to adapt.

A study of the Swiss FinTech industry carried published by the Lucerne University of Applied Sciences offers a comprehensive snapshot of this dynamic sector in Switzerland, including Geneva. At the end of 2023, there were 483 FinTech companies across the country, an 11% increase over the previous year. Geneva ranks fourth among the world's most attractive financial centres for digital technology.

This positive evolution is reflected in the growing role of technology in how banks interact with their customers. Customers are holding service providers in both retail banking and wealth management to increasingly high standards. In response to these evolving expectations, financial institutions, including wealth managers, are exploring new ways to optimize customer experience.

Geneva banks are already using AI to improve customer service and are also starting to explore the potential of generative AI. This ground-breaking technology opens a vast field of possibilities and is already driving significant value creation. According to a survey by the Lucerne University of Applied Sciences, half of financial companies use AI solutions in customer service to improve satisfaction, reduce costs, and boost efficiency.

The tectonic change we are currently experiencing is profoundly transforming the way we work, but also prompts many questions, one of the most significant being: what tasks do we decide to entrust to machines?

The increasing availability of data and the growth in computing power have created unprecedented opportunities. However, it would be foolish not to carefully consider the potential abuses of AI – both intentional and not – from an ethical, regulatory, or political perspective. The development of autonomous systems capable of operating without human control must also be carefully monitored. On this point, Switzerland is the birthplace of a new tool to assess the risks of AI, the AI Safety Clock, launched by IMD, which is designed to raise awareness of this important issue without hampering innovation.

The Geneva Financial Center is convinced that regulation has a key role to play in enabling us to meet all these challenges. In Switzerland, the legislative framework is abuzz with change. The regulatory approaches that the Federal Council has promised to deliver by the end of 2024 will allow us to move ahead on this issue, in line with emerging international standards, such as the European AI Act, and will complement data protection laws that are already on the books. In their deliberations, decision-makers should bear in mind the importance of promoting innovation while protecting individual interests and allow significant flexibility to accommodate the rapid pace of change in AI.

I leave it to Prof. Xavier Oberson to address issues around taxing AI in the context of the expansion of autonomous AI systems.

Education and training are another important facet of our response to the growth of AI. We are fortunate in Geneva to have several continuing education programmes that meet this need. The Geneva School of Business Administration (HEG – Geneva) offers two CAS degrees in digital transformation, and blockchain and finance, respectively. Banking professionals can complete a “Future of Finance" Certificate at the Institute for Studies in Finance and Banking (ISFB). And at the university level, the University of Geneva, in collaboration with the Geneva Finance Research Institute (GFRI), has been offering a CAS in FinTech since 2019. The Geneva Financial Center actively supports all these institutions.

In conclusion, the Geneva financial sector’s commitment to advancing these key priorities illustrates the need for all stakeholders to unite their efforts. Success will be achieved through consultation and dialogue between financial institutions and government, collaboration between financial centres, and public-private partnerships.

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Thank you all for your attention. Without further delay, I give the floor to Edouard Cuendet, Director of the GFC, to present the results of our annual Economic Survey.