FONDATION GENÈVE PLACE FINANCIÈRE GENEVA FINANCIAL CENTER

The necessity of balancing stability, proportionality, and competitiveness

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Ladies and Gentlemen,
Dear journalists,

Thank you for joining us for the Geneva Financial Center's (GFC) annual press conference. In keeping with this yearly tradition, we look forward to sharing our insights on the key challenges currently facing the Geneva financial sector.

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Allow me to start with a statement that I hope will serve as a guiding thread for this morning's discussion: the ongoing success of the Geneva financial centre is grounded in three basic principles – stability, proportionality, and competitiveness. This is the lens through which both global and domestic challenges should be assessed, in order to ensure that financial and banking institutions remain a key driver of Swiss economic prosperity.

At international level, the most striking development is undeniably the fragmentation of a world considered stable since the end of the Cold War. Geopolitical challenges, from conflicts in Ukraine and the Middle East to trade disputes with the United States, not to mention attempts to stimulate growth through deregulation, are accelerating and growing more complex. These developments have a major influence on decision-making within our industry, owing to its global orientation.

At national level, Switzerland appears to be charting a regulatory course that differs markedly from that of countries hosting its strongest competing financial centres.

In this context, the results of our 2025-2026 Economic Survey, which Edouard Cuendet will discuss in greater detail shortly, indicate that the Geneva financial centre remains solid yet cautious about the challenges ahead.

The financial sector is a key driver of Geneva's economy, generating over 38,000 high value-added jobs, 12.9% of the canton's GDP, and 23% of its tax revenue. The Geneva Council of State emphasised the significance of this contribution in its Economic Strategy 2035, published in late August.

Banks, asset managers, and other financial intermediaries closely monitor changes to the legal and regulatory conditions. Their attention is particularly directed towards two areas: Switzerland's regulatory framework and the Bilateral III agreements with the European Union.

These are the two main issues I intend to explore in greater depth today.

Excessive regulation ultimately damages a nation's economic vitality

These words of warning, first stated by Tocqueville, are relevant to the situation facing Switzerland and its financial centre today. Naturally, the GFC pays particular attention to legislative and regulatory initiatives that may affect the operating conditions of the financial industry. This is the

case of the package of measures presented by the Federal Council on 6 June in response to the Credit Suisse crisis.

My aim today is not to examine these measures in detail but rather to place them in the context of our three key principles – stability, proportionality and competitiveness.

Stability

The Credit Suisse debacle dealt a heavy blow to the stability of the Swiss financial centre. To prevent a reoccurrence of such a crisis, there is unanimous agreement on the need to extend the ability of the Swiss National Bank (SNB) to provide liquidity. The GFC therefore supports the inclusion in Swiss law of a "Public Liquidity Backstop". Similarly, we believe that the SNB should be allowed to accept a broader range of assets as collateral, including Lombard loans in addition to mortgages. These two measures would contribute significantly to ensuring the stability of the financial centre.

Conversely, the GFC considers that the principle of stability does not justify extending FINMA's prerogatives, in particular its right to impose fines and carry out early interventions. We are firmly opposed to empowering the financial regulator to disclose information about ongoing to investigations, new proceedings, and early interventions. We believe this information should be disclosed only once the proceedings have concluded, in order to avoid injury to the parties under investigation and uphold the legal principle of presumption of innocence.

Proportionality

The stability of the financial centre is not – and should not be – the sole criterion for assessing the proposed package of measures. Proportionality is another crucial factor to consider when ratifying and implementing new laws and regulations.

The financial sector of the Lake Geneva area is remarkably diverse, encompassing a range of sizes, business models, risk profiles, and ownership structures. As a reminder, the three key pillars of the Swiss financial sector are private and institutional wealth management, commercial and retail banking, and commodity trade financing. There are 80 banks in Geneva, including 21 domestic retail and asset management banks and 46 foreign-owned institutions, as well as more than 4,600 wealth managers and other financial intermediaries.

It would be misguided to apply the proposed measures across the board. Rather, their relevance should be assessed for each type of institution, according to the characteristics I just mentioned.

It follows that a "one size fits all" approach would not be appropriate. This is especially true for the proposed measures regarding responsibility – also known as the "senior management regime" – remuneration, and governance.

Finally, we call on the federal government to carefully evaluate the costs and benefits of each measure, with proportionality as a guiding principle.

Competitiveness

The Swiss financial sector, and Geneva in particular, is heavily oriented toward serving an international clientèle. With a 25% share of global cross-border private wealth management, Switzerland ranks at the top of the league tables, tied with Hong Kong and just ahead of Singapore. It is thus something of an understatement to say that Swiss banks are facing increased competition from their foreign rivals.

The Swiss government and the canton of Geneva should therefore refrain from adopting regulations that put Swiss-based institutions at a competitive disadvantage with their international peers.

At a time when competing financial centres are increasingly moving toward deregulation, it is essential to avoid any form of "Swiss Finish".

It is worth recalling that President Trump, in his inauguration speech on 20 January, promised to bring about a new "Golden Age" for the United States, with deregulation a central aim. Similarly, earlier this year, the President of the European Commission, Ursula von der Leyen, called for EU laws to be made simpler.

This appetite for deregulation is more than merely theoretical, as evidenced by capital requirement rules. Whereas Switzerland has applied the Basel III capital and liquidity requirements in full since 1 January 2025, the EU, the United Kingdom, and the United States decided to defer their implementation.

In other words, Switzerland is already applying international banking capital standards, which could jeopardize the competitiveness of its financial sector. If Swiss financial institutions were to lose their competitive standing, it would inevitably lead to a decline in service quality and an increase in costs for clients, whether individual or corporate, especially in the area of credit.

In conclusion, regulation must be grounded in a careful assessment of its potential impact to ensure that it reinforces financial stability without damaging competitiveness.

Piling additional rules on top of an already dense regulatory framework would do little to foster the necessary balance between stability, proportionality, and competitiveness.

The financial centre is not alone in advocating for a considered approach. The cantons of Geneva, Zurich, and Ticino have given their support to a joint statement submitted the Federal Council in late September.

When taxes rise, economic attractiveness decreases

Another threat to Switzerland's economic attractiveness is the initiative "For a Fiscally Fair Social Climate Policy (Initiative for the Future)" launched by the Young Socialists (JUSO), which will be on the ballot on 30 November.

As a reminder, the initiative proposes a 50% federal tax on inheritances and donations over 50 million francs. The revenue generated by this new levy would be used to "fight the climate crisis in a socially just manner and support the transformation of the economy".

Skipping over the highly fanciful methods employed by the initiators to calculate the hypothetical revenue generated by this tax grab, I would like to point out two potential consequences if the initiative were accepted.

First, this new tax would inevitably drive many of the affected taxpayers to leave Switzerland.

A study by Prof. Brülhart of HEC Lausanne shows that "wealthy older individuals tend to react to major changes in inheritance taxation. Emigration is one such well-documented reaction". In other words, wealthy taxpayers often vote with their feet, moving abroad to avoid being fleeced. Prof Brülhart estimates that this tax could cause Switzerland to lose between 77% and 93% of its potential tax base.

Moreover, tax-driven emigration is far from hypothetical, as shown by the recent experience of two European nations. This year, the United Kingdom abolished the "non-dom" (non-domiciled resident) tax status and raised capital gains and income tax rates, while Norway significantly increased its wealth tax. In both cases, these measures led to an exodus of the country's largest taxpayers.

Second, the purported climate objective is only a pretext to "make the rich pay", in the words of the initiators.

In Switzerland, the "rich" are often entrepreneurs at the head of family businesses. It is important to note that 99% of Swiss companies are SMEs and 80% are family-run. Nearly half of these companies plan to maintain family ownership in the future. However, a 50% inheritance tax would make these intergenerational transfers impossible.

The "For the Future" initiative would thus be profoundly detrimental to the future of family businesses and of the Swiss economy more broadly.

Relations with the EU: three good reasons to say yes to the Bilateral III agreements

Another major vote expected on the horizon, likely in 2028, concerns Switzerland's relations with the European Union (EU). As you may have anticipated, this vote will address the treaty negotiated by Switzerland and the EU in 2024, known as "the Bilateral III" agreements. The Federal Council has circulated the text of the agreements for consultation until 31 October 2025. As part of this process, the Geneva Financial Center has expressed its support for the Switzerland–EU agreements. We believe it is essential to explain precisely why, in our view, the Bilateral III agreements are vital for the Geneva financial centre.

Stability and predictability go hand in hand with security

In this period of geopolitical turbulence, instability poses a danger for both the Swiss economy and, more specifically, the financial sector. In that context, the Bilateral III agreements provide a clear framework for relations with our main trading partner.

Opponents argue that Switzerland would be better off without these agreements. They believe it makes us too dependent on our neighbours and that Switzerland would be better off developing new markets.

The danger of this argument is perfectly illustrated by the Trump administration's decision to increase American import tariffs. The negative impact of Brexit on the UK's economic growth highlights the risks and fragility of pursuing a lonely path supported by a single, meagre free-trade agreement.

A prerequisite for access to the European market

In addition to stability, the Swiss financial centre needs better access to European market so as to be able to serve European customers from within Switzerland. This long-standing clientèle is estimated to represent more than CHF 1 trillion in assets.

However, it has become increasingly difficult to serve European clients from Switzerland. Swiss financial institutions have been forced relocate operations to EU member countries. This unfortunately causes jobs, skills and tax revenues to leave Switzerland. Moreover, these relocations are often expensive, as well as unprofitable.

These concerns are highlighted in the results of the economic survey that Edouard Cuendet will present to you shortly. Half of banks with more than 200 employees, and over 70% of those with fewer than 200 employees, cited the lack of simplified access to European markets as a factor that is likely to have a significant and lasting impact on their business model.

Unfortunately, financial services are not included in the agreements between Switzerland and the EU. The issue of market access is currently being addressed through a regulatory dialogue initiated between Bern and Brussels in the summer of 2024.

The Swiss proposal, consisting in an "institution-specific" approach to market access similar to that followed by the SEC in the United States, is currently under discussion.

The Geneva Financial Center and its counterparts in Zurich (Zürcher Bankenverband) and Lugano (Associazione Bancaria Ticinese) have jointly advocated for this approach with the Federal Council. The involvement of the relevant cantonal authorities in support of this approach has been instrumental in increasing awareness of the issue within the federal government.

However, discussions on market access will grind to a halt if Swiss voters reject the Bilateral III agreements.

In conclusion, acceptance of the Bilateral III agreements is an essential step towards improved market access for Swiss financial intermediaries.

Talent is the bedrock of the financial sector

The battle for talent offers a third argument in support of the Bilateral III agreements. Undoubtedly, the financial centre owes its outstanding success in large part to the skills and expertise of its employees. Maintaining this level of excellence – one that many competing financial centres envy us – requires advanced training and cutting-edge research.

A rejection of the Bilateral III agreements could jeopardize Switzerland's participation in the "Horizon Europe" research and innovation programme, negatively impacting our capacity to innovate. Similarly, Switzerland could be excluded from the Erasmus+ university exchange programme, thus robbing Swiss students of a valuable educational opportunity.

This is not a matter of opinion. We have all witnessed the impact of the Trump administration's decision to limit student visas on higher education mobility.

Finally, I would like to make one last point. The free movement of people not only enables Swiss banks and financial institutions to enrich their talent pool by hiring EU nationals but also provides their Swiss employees with opportunities to expand their knowledge and gain valuable professional experience abroad.

Rejecting freedom of movement and returning to the previous quota system, which strictly limited work visas for foreigners, would be disastrous for Geneva's internationally oriented financial centre.

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In conclusion, the Swiss people and government will soon face crucial decisions regarding regulation, taxation, and foreign policy. The Geneva Financial Center will take every opportunity to advocate for the conditions that will ensure the ongoing prosperity of the financial sector and the Geneva economy. To this end, we can count on the valuable support of the Canton of Geneva, whose Economic Strategy 2035 emphasizes the importance of the banking and financial sector.

Thank you for your attention. I now hand the floor to Edouard Cuendet, Director of the GFC to present the results of our annual survey.