Association de
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Association of Swiss Private Banks

Swiss Private Banks: An Export Sector Like Any Other

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Private Banking Day - Geneva
10 June 2016

Check against delivery

In the name of the Association of Swiss Private Banks and the Association of Swiss Asset and Wealth Management Banks, I am delighted to welcome you all to this first Private Banking Day. The aim of this new annual event is to assess the health of the asset and wealth management sector in Switzerland and to outline solutions for its future.

Let me begin by saying how pleased I am to see such a large turnout. Your presence here today is a token of your interest in Swiss private banks and their development. The wealth management sector faces many challenges, but it also has the assets to overcome them. This will be the topic of our discussions today.

An export sector

Before we examine these issues in greater detail, I would like to stress out that the financial sector is first and foremost an export sector. A single figure convincingly illustrates this point: in Switzerland, there are 275 banks for a population of 8 million. Is such a large number of banks for so few inhabitants economically viable? Of course not. The obvious implication is that the majority of these banks' clients live abroad.

Switzerland is the largest cross-border wealth management centre in the world; with a 25% share of the global market, it ranks far ahead of its main competitors, London and Singapore. In 2014, Swiss-managed foreign assets totalled approximately 2400 billions francs, of which 40% come from the European Union.

Market access

These figures offer proof – if any were needed – that the prosperity of Swiss wealth management depends on the quality of its relations with foreign countries, especially the European Union. Swiss wealth management will be able to maintain its position of global leader only if it is allowed to continue providing its services abroad without restrictions. This is a major challenge, and one that is far from being won.

Existing legislation in most European countries prohibits Swiss banks from actively marketing their services to local clients. Instead, they must wait passively until these clients come to Switzerland of their own accord seeking their services. They may directly approach foreign clients only via a business entity in the country in question. This situation is unsatisfactory, as it generates considerable costs for banks and forces them to create jobs abroad rather than in Switzerland. It also deprives Switzerland from opportunities of economic development, not to mention tax revenues at the federal and cantonal levels.

Our success going forward thus depends on Switzerland's ability to secure unrestricted access to foreign markets. It bears mentioning that Switzerland already provides free access to the countries in question. At this point, we face several options, all of which should be explored simultaneously:

- The first is regulatory: we need to bring our regulatory framework in line with international legislation, without any "Swiss finish". The new federal Financial Services Act (FinSA) and Financial Institutions Act (FinIA) aim to achieve this, and are therefore supported by all banks.
- The second consists in bilateral agreements with the main countries where our clients live, such as the recent protocol with Germany. Such agreements should be linked to negotiations regarding the automatic exchange of information when they occur.
- Third, in parallel with these bilateral agreements, we must start preparing for a global agreement on financial services, for the time when current internal and external obstacles are lifted.

A skilled workforce

Moreover, market access is not the only stumbling block in our relations with the European Union. The vote against mass immigration on 9 February 2014 negatively impacted our relations with Brussels and created uncertain conditions for wealth management in Switzerland itself. In particular, the fact that many of our clients reside abroad – mainly in Europe, as noted earlier – generates a need for high-level skills that can't be found in Switzerland, namely professionals from the same countries as our clients, who speak their language and understand their culture and customs.

The Federal Council is currently seeking a consensus solution that complies both with the federal Constitution and with the agreement on free movement of persons between Switzerland and the European Union. Failing that, the government plans to manage immigration through a unilateral safeguard clause. However, a solution acceptable to the European Union must be found in order to preserve the bilateral approach and restore legal certainty, an essential part of Switzerland's appeal.