



WHAT'S UP WITH SWISS PRIVATE BANKS?

by Jan Langlo, director of the Association of Swiss Private Banks

As Albert Einstein said, “in the midst of every crisis, lies great opportunity”. This is mostly due to being forced to do things differently. In the wake of the recent pandemic, many rules were introduced or changed. How did this impact Swiss private banks? Let's look at this from the point of view of employees, clients and regulatory authorities.

Nearly overnight, about 80% of bank employees were forced to work remotely. Business continuity plans were put to the test and proved the resilience of the banking system.

An evolution which would have taken years happened in a few weeks. Banks which were cautiously introducing home office now have, at most, 50% of their staff in their premises.

Split teams are still the norm and this helps reduce the number of people who use public transportation. The good news is that most employees who work from home enjoy it and are as productive as before, some even more. Nevertheless, contacts in the office are still necessary for an optimal sharing of information and spreading of the company's values.

Banks were not closed during the lockdown, as their activities are always essential. Payments still need to be made, even if some mandatory ones like taxes or insurance premiums were postponed. Credits were crucial to maintain liquidity and in a single week, commercial banks, government and the Swiss National Bank set up a plan to grant loans that are interest-free up to 500 000 Swiss francs and guaranteed by the Swiss State to small and medium enterprises, to compensate up to 10% of their annual revenues. This scheme allowed a quick distribution of more than 14 billion Swiss francs. The employees of commercial banks did a fantastic job and did not count their hours to handle the more than 130 000 credit requests that came in.

On the wealth management side, there was also a lot of activity during March, as clients wanted to reallocate their assets as the markets crashed. Although physical contact had to be avoided, human interaction remained at the heart of investment activity. Clients understood that their banker could no longer travel to meet them and adapted quite well to videoconferences. Many accounts were opened online, new applications were launched and contactless payments soared (and the limit under which no PIN entry is required was raised from 40 to 80 Swiss francs).



Regulatory authorities also showed a lot of flexibility in light of the constraints that banks faced. For instance, they agreed to extend the deadline to obtain certified copies of passports or other documents when opening an account from abroad. They relaxed the capital and liquidity requirements linked to the credits mentioned above. They added some exemptions relating to the leverage ratio and risk diversification. All this shows the value and efficiency of the Swiss financial centre, where banks and authorities discuss and find practical solutions.

Going forward, the pandemic showed that the economy will need to rely more and more on digital solutions. Must we all really commute to work every day? Do we need to go to stores to buy something? Most production and leisure activities require a physical presence, but distribution only requires drivers (or drones), and services can be rendered online. In the field of finance, SwissBanking sees six digital trends:

- **Banks accelerate the development of workflows without media discontinuity**
- **Demand for financial products and services via digital channels rise quickly**
- **Diversity and complexity of payment transactions increase**
- **Trend towards smart working solutions intensifies**
- **Investments in high-quality and secure digital infrastructures grow**
- **Authorities speed up end-to-end e-capability**

Switzerland will also soon be voting on the introduction of an electronic identity, supervised by the state, but implemented by private companies. As cloud solutions become more and more common, larger quantities of data will need to be exchanged, also on mobile devices. Swiss telecommunication operators are already developing their 5G network. All this will require a lot of energy, which implies

a stable power-grid and sustainable power stations. Huge investments in infrastructure need to be made, to prepare for a clean and healthy society. And let's not forget security, as nothing will eliminate the fact that some also see an opportunity for ill-gotten gains whenever a new system is put in place. Amidst all these changes, private banks are there to help their clients identify the winners of tomorrow.