Report of the Board 2014

Framework conditions take shape

International competitiveness – the main goal

The Swiss financial centre is in need of initiatives that strengthen the production of transparent "Swiss Banking" financial services offered from Switzerland. The country has well-known traditional and cultural strengths as a business location. Its banks have made great efforts to drive forward the transition to a private wealth management business based on transparency in tax matters. Swiss banks have unique strengths in the operational field. Anyone who has opened a bank account in Switzerland, or who has given payment orders or chosen financial products, comes to appreciate the quality and reliability of Swiss Banking. There is no doubt that the preconditions needed to further strengthen the Swiss financial centre already exist.

In order for the banking sector to develop its potential, it needs a corresponding operating environment. The proliferation of diverse regulatory projects - often triggered by international organizations - has led to a density of regulation which is driving up the banks' fixed costs, and here small banks are being hit harder than the larger financial institutions. The smaller banks feel that many of the new provisions represent overregulation because they are designed for the larger, internationally active banks.

International standards and various Swiss regulations must be implemented with a sense of proportion in order not to impair the competitiveness - and therefore the attractiveness - of Switzerland as a business location. The Federal Council has renounced explicitly introducing competitiveness as the third goal of the Financial Market Supervision Act - in addition to the goals of protecting investors and ensuring systemic stability - because it wants to prevent a conflict of objectives. Nevertheless, a better balance must be found between investor protection and systemic stability on the one hand, and the attractiveness of Switzerland as a banking centre on the other. The attractiveness of the financial centre is ultimately an indicator of how investors judge the quality of the protection offered to investors and the financial system. However, a diminished degree of attractiveness is not necessarily brought about by an insufficient degree of protection; it can rather be a reaction to overregulation or defective regulation. The "Final Report of the Brunetti Group of Experts on Financial Market Policy" rightly made the regulatory process a subject of discussion, and this discussion should also continue in the "post-Brunetti phase" with all those involved.

Regularisation of the past – the next chapter

In recent years many banks have been heavily occupied with the US Tax Program. At the beginning of the year under review, one bank was able to conclude a Non-Prosecution Agreement with the US authorities. There are hopes that this signals the beginning of the end of this chapter, and these hopes were boosted by statements made by the Head of the Federal Department of Finance to the effect that, following talks with the US Department of Justice, she was confident that solutions could be found this year.

Switzerland was able to conclude an agreement with Italy which enabled the regularisation of tax problems of the past and at the same time allowed for the signing of an agreement on administrative assistance based on Article 26 of the OECD's Model Tax Convention. Irritations with France were smoothed away, but it remains to be seen if this will result in a lasting "paix fiscal". A voluntary disclosure programme is to be discussed with Greece as preparation for a system of automatic exchange of information with EU member states.

Exchange of information

Ever since the Federal Council declared its commitment to the introduction of the automatic exchange of information this subject has determined the greater part of the banking policy agenda. The Federal Department of Finance's proposal to adopt the corresponding texts of agreements is undisputed in and beyond banking circles. For foreign banks it is of importance that the client data delivered are subject to corresponding data protection regulations that the principle of specialty is upheld and that reciprocity is not just guaranteed on paper but also works in reality. In addition, the association would support the Federal Council if it were to link the signing of a bilateral treaty with a voluntary disclosure programme in the partner state and also with a discussion on market access.

The Association's Board took the opportunity of a meeting with a senior official from the OECD to have a thorough discussion on the importance of data protection and IT security. In the year under review we were able to continue this discussion at a media event organised by the Association. The OECD is aware of the importance of the subject and welcomes the fact that Switzerland wants to play an active role in the further development of the existing recommendations.

2015 will see the introduction of FATCA by the banks. Switzerland has taken steps to negotiate the changeover from Model 2 to Model 1 with the US so that the exchange of information with various countries takes place in a manner as similar as possible to that used with other countries. In banking policy discussions over the next few months, the automatic exchange of information is most likely going to be overshadowed as a subject by Phase 2 of the FATF Peer Review. Following tough negotiations, the Swiss negotiators were successful in getting Switzerland admitted to Phase 2. At the end of 2014, Switzerland adapted its Money Laundering Act to take account of the FATF Recommendations and the Swiss Financial Market Supervisory Authority (FINMA) issued a corresponding ordinance. In addition, the Swiss Bankers Association's revised Due Diligence Agreement will come into force on 1 January 2016 and it will contain various demands made by international organisations. It remains to be seen if Switzerland's body of standards is compatible with the FATF's provisions, or whether it needs further adaptation.

The new financial market architecture

The Federal Department of Finance intends to reorganise Switzerland's financial market architecture, not simply by revising the stock exchange and banking regulatory framework but by converting it into a Financial Market Infrastructure Act, a Financial Services Act and a Financial Institutions Act.

In the course of this the Financial Market Infrastructure Act has a good chance of being incorporated in Swiss legislation in its proposed form. For the foreign banks, it was important that the law provided for unimpeded access to the EU capital market. Any divergences from the EU template would impede crossborder business, and that would not be in the interests of the Swiss financial market.

Based on the consultation process, the Federal Council decided to submit revised versions of the two other draft laws to Parliament. The Federal Department of Finance took into consideration objections made during the consultation process about the proposed law enforcement measures. Some of these issues will no longer be pursued in the draft Financial Services Act, while others will be introduced into other draft legislation.

The upgrading of investor protection measures, on the other hand, will be given concrete form in a Federal Council Dispatch, and in principle the foreign banks support this legislative development. The foreign banks also welcome the supervision of asset managers as well as the compulsory certification of client advisors. The Federal Council has now decided to withdraw these areas from the draft law and to take them up elsewhere, although it is being very tight-lipped about form and timing.

Continuing training and certification of client advisors

In the year under review the foreign banks continued to pursue their initiative of setting up a programme of continuing training for Relationship Managers. The programme was conducted in three seminars with staff from member banks. The programme confirmed that the training of wealth managers must not be restricted to technical financial education and crossborder regulations. Client relations in the frequently-invoked "new" wealth management business make great demands on communication, in terms of both form and means. Advising takes the place of selling.

The pilot projects have strengthened the view of our Association's Board that the content of the programme fulfils an urgent need. However, it is not the role of the Association to offer courses. Furthermore, such a programme should not be for foreign banks only. The Association has therefore opened discussions with the Swiss Finance Institute (SFI) about integrating the programme into the SFI's palette of courses on offer.

Consolidation

Reports about foreign banks giving up their business in Switzerland are becoming more frequent. According to FINMA, eight foreign banks left the Swiss market in 2014, and in the year under review a number of other foreign banking institutions have closed their business or have announced their intention of leaving Switzerland. Nevertheless, with 118 banks, foreign banks remain the largest category of banks in Switzerland: at the beginning of 2014 they still employed more than 18,000 people in Switzerland. Foreign banks continue to play a very important role in Switzerland's three regional financial centres: in Geneva, 43% of the city's banking workforce work at a foreign bank, and the corresponding figure for Ticino is 32%. For Zurich, the corresponding figure is 13%, which is still substantial given the dominance of the two big banks in the city.

Association Work

Routine business remains the key work of the Association, with over 50 events held during the year and regular circulars dispatched to members informing about regulatory issues. Three luncheon meetings were held with CEOs of member banks at which we discussed the Association's work, its representation in the Swiss Bankers Association and suggestions for improvement. As in the past, members of our Board held meetings with representatives of the Governing Board of the Swiss National Bank and with officials from FINMA. In Paris, and also at a media event in Zurich, our Association discussed the introduction of the automatic exchange of information directly with a representative of the OECD.

Our Association relies more than ever before on the support of its members. Only with this support can our Association represent foreign banks in the Swiss Bankers Association and vis-à-vis the authorities. We would like to take this opportunity to thank everyone who has actively helped shape our work and promoted the interests of the foreign banks and our Association. There have been no changes in our Association's representatives on the various Commissions of the Swiss Bankers Association.

There have, however, been some changes in our Association's Board during the period under review. Franco Morra, CEO HSBC Private Bank (Suisse) SA took over as Chairman from Alfredo Gysi. In addition to the Chairman, the Board now consists of: both Vice-Chairmen, Marco Bizzozero, CEO Deutsche Bank (Schweiz) AG, and Stefano Coduri, CEO BSI SA (new); the newly-elected Treasurer, Mauro de Stefani, Chairman of the General Management Banca Popolare di Sondrio (Suisse) SA; Guillaume Lejoindre, Chairman of the Board Société Générale Private Bank (Suisse) SA; Pierre Alain Bracher, Vice-Chairman of the Board Bank J. Safra Sarasin AG; Benoit Dumont, Chairman of the Board J.P. Morgan (Suisse) SA, Heinrich Henckel, CEO LGT Bank (Schweiz) AG; and two co-opted members, Hervé Catala, CEO Crédit Agricole (Suisse) SA and Adrian Nösberger, CEO Schroder & Co Bank AG.

Members stepping down from the Board are: Catherine Weir, Managing Director/City Country Officer Citibank (Switzerland) AG; José Pedro Caldeira da Silva, CEO Banque Privée Espirito Santo SA; and Soren Mose, CEO Saxo Bank (Schweiz) AG. Niels Hansen of Jyske Bank (Schweiz) AG, stepped down from his position as auditor and Ms. Anastassiya Mächler of Investec Bank (Switzerland) AG, was co-opted as his successor. We extend our sincere thanks to those stepping down for their commitment to our Association, and we look forward to working together with the newly-elected officials.

Zurich, May 2015