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# Looking at the big picture instead of individual interests

Ladies and gentlemen

There is a lot of talk about the financial centre. You, the media, have your perception and opinion thereof, as do customers, the government and business representatives. And this applies to Switzerland the same as it does to countries abroad. Individual interests are being accentuated, particular examples are being dwelled on, details emphasised. Buzzwords such as fintech are circulating and stories are being built around these. Unfortunately, during this process, sight of the big picture sometimes gets lost.

**The future of the financial centre: the big picture**

So on the occasion of our Bankers Day, let me take some time to take stock of the situation. I would like to share my view of the big picture of the Swiss financial centre and give you an outline of its future.

In order to do so, I would first like to talk about the current discussions surrounding referendums – namely the Sovereign Money Initiative, the initiative for the protection of privacy, or for short, the Matter Initiative, as well as the current legislative projects FinSa and FinIA. Afterwards, I would like to talk a bit in general about regulation and how it should be best shaped. And in conclusion, I will put what I have said in the overall context of the future of banking.

**Sovereign money, Matter and FinSA / FinIA**

Sovereign money, the Matter Initiative and FinSa / FinIA are three current projects that the Swiss financial centre is dealing with.

The objective behind the **Sovereign Money Initiative** is that only the National Bank be permitted able to create money in future. According to this initiative, banks would only be able to lend credit to private individuals and companies with money they receive from depositors, other banks, or the National Bank. As you can imagine, we resolutely reject the initiative. The reasons are obvious:

- Switzerland has already effectively stabilised its financial system. Even a sovereign money system does not override market rules and can therefore also not stave off financial crises.
- Depositors would be in a worse position: flexible savings accounts would be replaced by fixed minimum term investments. Private accounts would generate even lower interest rates due to the ban on lending.
- Providing credit to private individuals and companies would become more expensive and complicated because the credit volume would not be managed by the market, but rather centrally and at the discretion of the SNB. This would put growth and stability at risk.
- Compared to the present situation, sovereign money has no counter value. Instead, it depends solely on the confidence of the SNB. The SNB would be forced to create money without at the same time buying recoverable assets such as foreign exchange reserves.
- The work of the National Bank would become highly politicised; the balance between the state authorities would be undermined: the prospect of receiving a share of the profit from the creation of money would expose the National Bank to extreme political pressure.
- The initiative endangers a well-functioning system and puts jobs, tax revenues, a secure economic system and Switzerland’s prosperity at risk in a reckless and irresponsible manner. If Switzerland, which is highly interconnected internationally, were to go it alone, it would be an incalculable risk.

Everybody loses if the Sovereign Money Initiative is introduced:

- Bank customers would lose access to flexible savings accounts, cheap credit and easily accessible mortgages. Both risks and costs would rise for them.
- The economy would lose its efficient, cheap supply of credit and probably a large segment of its banking activities.

- The SNB would lose its credibility and independence if it had to manage the supply of credit as a quasi-political authority and was limited by political interference when distributing profits.
- The banks would lose entire areas of business both in Switzerland and internationally. It would no longer be possible for the banks in Switzerland to offer many services as these would no longer be economically worthwhile. At the international level, the banks would lose ground due to the incompatibility of the sovereign money system. In consequence, the banks would have to introduce enormous job cutbacks.

Let us now look at the **Matter Initiative and the counterproposal**. According to its own statements, the initiative aims – hence the official name: “Yes to the protection of privacy” – to enshrine the protection of privacy, and in particular the protection of financial circumstances in the Swiss constitution in order to ensure the freedom of Swiss citizens remains guaranteed and is free from snooping and improper use. However, the initiative would not only affect privacy, but in particular also govern access to bank information. A counterproposal was developed in the last few months. I am sure that you know our position on this as well: we reject both the initiative and the direct counterproposal. In accordance with our new transparency policy, I would like to say at this point that the Association of Swiss Private Banks ASPB and the Association of Swiss Asset and Wealth Management Banks VAV have taken a neutral stance as regards the counterproposal. economiesuisse, as the representative of the overall Swiss economy, and the cantons, also clearly reject the initiative and the counterproposal. According to the cantons, their motive is that the counterproposal protects people who are dishonest in tax matters. The Conference of Finance Directors (Finanzdirektorenkonferenz) wishes to uphold the relationship of mutual trust between citizens and state. But if taxpayers violate their duty to cooperate and there is a concrete suspicion of tax evasion, the relationship of mutual trust has been violated and access to banking information would be justified.

Our Association's rejection of this matter is not new. We have been sceptical for many years now about the necessity of enshrining bank-client confidentiality in the constitution. Because bank-client confidentiality is sufficiently protected under current law. Other reasons for rejecting the initiative and the counterproposal include that they increase the risk of liability for banks and their employees, could potentially lead to new areas of conflict with other countries, and they would result in additional costs. The banks do not wish to become the extended arm of the tax authorities by assuming responsibility for the tax compliance of their customers.

The fact of the matter is: bank-client confidentiality does not protect the banks. First and foremost, it protects all of us as private individuals, entrepreneurs, the heads of SMEs, bosses, employees, etc. To put it more concretely, bank-client confidentiality ensures that no unauthorised people have access to my financial information. It is therefore clear to us that in the end, it is up to voters to decide what form they want their privacy to have in Switzerland.

The Sovereign Money and Matter initiatives demonstrate how individual and self-serving interests that misjudge the economic importance of the financial centre and focus on arbitrary details can endanger the financial centre – which functions smoothly – and have unpredictable consequences for you, the Swiss population and the economy.

<u>Positive</u> examples of taking a comprehensive approach to an issue are the two legislative projects **FinSA and FinIA.** The Bankers Association supports these projects, which aim to establish investor protection that is in line with the times, whereby the responsible investor is the focus. We also support the fact that with FinIA, independent asset managers are to be subject to independent prudential and effective supervision. We explicitly welcome the fact that independent asset managers are now demonstrating their willingness to support FinIA and contribute constructively to the process.

The legislative projects are designed in such a way as to create a level playing field and legal certainty for all market participants in Switzerland and at the same time safeguard the Swiss financial centre's ability to compete internationally. This also explains why the vast majority of the Swiss financial centre supports FinSA and FinIA.

Of course, I don't want to hide the fact that there are still a number of construction sites to address in the parliamentary process. Unfortunately, parliament just recently again postponed discussions of FinIA. This is wrong. I do have a certain degree of understanding for parliament not wanting to address the complex project with an insufficient amount of time. But the procrastination has to stop. The Swiss financial centre and the entire Swiss economy need FinSA and FinIA, and they need them together, as a package. Now. Not in a few years from now.

FinSA and FinIA would allow Switzerland to realise a comprehensive project that actually incorporates the big picture that we so urgently need.

**Good regulatory policy is not a pipe dream**

As you can see, when it comes to regulatory issues, there are always various opinions, interests and convictions. But good and prudent regulatory policy does not have to remain a pipe dream. There are ways of breaking through the continuously increasing density of regulation, which is becoming a bigger and bigger financial and administrative burden for businesses. We developed the “Strategy for good regulatory policy” to this end. At the core of this strategy is a controlling process by an independent inspection authority, a model which has already been successful in other countries. This process would not only be applicable for banks, but for the entire economy.

According to Avenir Suisse, the cost of regulation in Switzerland, depending on the estimate, has already reached up to 10% of the country’s gross domestic product. In the WEF’s “Burden of Government Regulation” rankings, Switzerland has moved down from 11th place in 2009 to 17th place in 2013. In the World Bank's “Ease of Doing Business” index, it moved from 11th place ten years ago to 26th place in 2016.

Switzerland must tackle the problem of rising regulatory costs if it wants to avoid inevitably falling behind in the global competition between locations. Because every day that passes without good regulatory policy translates into additional costs for our economy, our businesses and our SMEs. With the “Strategy for good regulatory policy”, we bring to this discussion a well-elaborated solution that incorporates a process for reaching solutions across all levels of regulation.

We are pleased to see that government has also recognised the need for action in this area and that our recommendations are being heard at the political level. For example, motions from the FDP party and Karl Vogler, National Council Member, were just recently adopted and submitted to the Federal Council. Both motions take the same direction as we do in our strategy for good regulatory policy. Our hope is that there will now soon be a draft legislation that reflects these considerations. At the SBA we advocate pressing ahead with these types of comprehensive projects, which help Switzerland as a whole and therefore in the end also the Swiss population.

**The SBA shapes the framework conditions of the future**

And with that, we have come to the final aspect that I would like to talk to you about today: namely the active role of our association in shaping future framework conditions.

Our association takes an open approach to change and the future. Last year we very consciously reorganised the association, repositioned ourselves and established new key areas of focus. With our new Chairman Herbert J. Scheidt, who assumes his role from Patrick Odier today, we will continue down the path we have embarked on. We also represent our members on this path. I can report that the banks in Switzerland are standing on a solid foundation. The figures published recently in the latest Banking Barometer indicate this clearly. The banks are further developing and adapting. Good employees and managers will follow down this path together. Banks are opening up new areas of activity for themselves. The renminbi hub that is emerging in Switzerland is only one positive example thereof. Others include fintech and the advancement of digitalisation in banking. For us, the focus is on strengthening Switzerland as a location and keeping jobs and added value in Switzerland. The customer lies at the heart of this. If government, the authorities, the banks and all of Switzerland succeed in not focussing on individual and self-serving interests as they pursue their objectives, and instead consciously look at the big picture, consistently aim to find a balance between costs and benefits, and make rational, decisions with a long-term approach, then – I am convinced of this – the Swiss economy and the domestic financial centre will continue to rank among the best in the world in future.

Thank you very much. We would now be happy to take your questions.