

Swiss Bankers Association's position on the Financial Centre Initiative

The Swiss Bankers Association (SBA) opposes the Financial Centre Initiative. The Initiative addresses an important concern, but goes about it the wrong way. It aims for an environmentally sustainable Swiss financial centre, which it cannot achieve in practice, and at the same time entails substantial disadvantages for investors, employees and Switzerland as a business location, as such a regulation would be unique world-wide.

The Financial Centre Initiative requires Swiss financial market participants to align their business activities with international climate and biodiversity goals, and take account of direct and indirect emissions as well as biodiversity impacts throughout the value chain. It also proposes to ban financing and underwriting services that serve to exploit and promote fossil fuel deposits. Whilst the initiators emphasise that the initiative relates exclusively to foreign countries, the text of the initiative also allows for an interpretation under which almost all Swiss companies would be affected. In a globalised financial market, a government-imposed withdrawal by Swiss financial institutions will not help to reduce global emissions, nor will it effectively safeguard biodiversity. Instead, foreign providers will move quickly to meet the financing shortfall – providers that are often subject to less stringent rules, or none that are comparable. Foreign financial institutions are in fact explicitly excluded from the Initiative, which puts them at an advantage compared with Swiss banks. At the same time, Swiss banks will lose the opportunity, through active engagement and the exercise of voting rights, to exert influence and encourage change in the very companies that are most relevant from a climate or biodiversity perspective.

Climate and biodiversity impacts occur primarily in the real economy, not the financial sector. The financial sector can support the decisions of companies and individuals by providing finance, but it cannot force these decisions. The Initiative's authors themselves concede that the financial sector's impact is chiefly indirect, via the real economy. International organisations have likewise concluded that market instruments such as effective CO₂ pricing achieve much better results than interventions via the financial market.

Moreover, some of the Initiative's key demands are already embedded in regulations: To achieve its objectives, the FPI relies on transition plans, which large financial institutions are already required to draw up; this involves disclosing their climate strategies and transition plans, carrying out scenario analyses, and systematically integrating climate and biodiversity risks into their risk management. The Financial Centre Initiative would therefore largely duplicate existing regulations, without making any additional contribution to achieving their objectives. At the same time, it would have tangible negative consequences for investors and employees. It proposes to comprehensively exclude certain companies from asset management mandates and investment advisory services. Such a restriction on investment opportunities would significantly impair portfolio diversification, increase costs and accentuate the risk of lower returns. It would particularly affect second and third pillar pension assets – in other words, the long-term savings of every one of us.

To enforce these requirements, the Initiative proposes setting up a supervisory body with extensive powers to issue rules and impose sanctions. However, the form the supervisory mechanism would take remains unclear; it would be complex to administer and give rise to considerable costs. It would create additional bureaucracy at the very time when efforts are under way in the EU and internationally to simplify regulation and ease administrative burdens.

Swiss banks already make a substantial contribution to a sustainable financial centre. They factor climate and biodiversity risks into their lending and investment activities, and rely on effective self-regulation and active engagement. Continuing progress in the climate transition will be achieved through a dependable

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political framework for the real economy and not through new, mostly ineffective prohibitions in the financial sector.