

Interconnected geopolitical risks facing the Swiss financial centre

The impact of geopolitical risks on Swiss banking – a data-driven analysis

- The Swiss financial centre faces substantial challenges amidst growing geopolitical tensions. A new study by the Swiss Bankers Association (SBA) in cooperation with the consultancy firm zeb analyses the concomitant risks and their impact.
- Using an analysis- and fact-based approach, the study combines AI-supported literature and cluster analyses with qualitative interviews with experts to investigate the influence of geopolitical factors on the banking centre.
- The results show that banks in the Swiss financial centre catering to clients based or operating internationally are suffering serious negative effects as a result of geopolitical tensions. However, business models with a national focus, such as domestic wealth management and retail banking, are benefiting from Switzerland's good reputation.
- According to the study, the long-term stability and competitiveness of the Swiss financial centre depends on its status as a safe haven, a clear positioning on sanctions, its ability to adapt to geopolitical risks, and targeted investment in technological innovations.

The Swiss financial centre faces major challenges at a time of growing geopolitical uncertainty. In an increasingly volatile environment dominated by the war in Ukraine, tensions between the US and China, and cyber threats, Switzerland's political and economic stability is being put to a stern test. For the financial centre, this creates new risks but also opportunities to consolidate its role as a safe haven for investors and companies.

A new study by the Swiss Bankers Association (SBA) in cooperation with the consultancy firm zeb highlights the geopolitical risks to which the Swiss banking centre is particularly exposed and how the sector can respond to them. August Benz, Head of International and Transformation at the SBA, says: "The SBA is working to safeguard the interests of its members in this new geopolitical environment and helping to secure a successful future for the Swiss financial centre."

Key findings

“This study breaks new ground. It is the first to analyse the impact of geopolitical risk factors on the Swiss banking centre”, comments Norman Karrer, Managing Partner of zeb Switzerland. The combination of literature analyses based on artificial intelligence and qualitative interviews with experts elicited the following findings:

- **Swiss banks and Switzerland as a safe haven benefit from each other:**

The stability of Switzerland's financial centre hinges increasingly on its status as a safe haven. Geopolitical risks create complex interdependencies that exacerbate the risk for Swiss banks.

- **Clear positioning on sanctions is vital:**

The most important geopolitical risk factor for Switzerland is its approach to international sanctions. In a multipolar global order, Switzerland must redefine its role and strategy with regard to sanctions. Proactive risk management is essential for Swiss banks to counter geopolitical risks successfully.

- **Risks and opportunities for Swiss banks:**

International large corporate banking and asset management are the areas most affected by geopolitical tensions, and could lose ground owing to volatility on the global markets. At the same time, national wealth management and retail banking are benefiting from Switzerland's reputation as a safe haven.

- **Adaptability essential to success:**

The Swiss financial centre's ability to adapt swiftly and effectively to new challenges has already been a decisive success factor in the past, and will be so once again in the current geopolitical environment.

- **Technology and innovation vital to competitiveness:**

The advance of digitalisation, especially in artificial intelligence, was identified by experts as key to future competitiveness. Swiss banks will need to invest substantially in innovations in order to retain their standing in an increasingly global and technology-driven market.

Future-oriented positioning of the financial centre is crucial

In order to maintain its leading position in the global financial world, the Swiss banking centre will have to adapt to changed geopolitical realities. A clear, future-oriented positioning along with innovative strategies will be crucial.

Methodology: fact-based and data-driven

The first phase involved an analysis of more than 130 relevant publications. This was followed by 22 interviews with senior bankers, researchers and other experts. Taken together, these enabled a comprehensive assessment of the impact of geopolitical risks on Swiss banks' business models.

In the second phase, the evaluations of 38 experts were used to understand and appraise the inter-relations between macro risks and their influence on banks' business models.

In the concluding third phase, impact matrices were calculated and simulated for six different business models in three time frames. The results were then validated in discussions with bank experts.

About the Swiss Bankers Association (SBA)

The SBA is the umbrella organisation of the Swiss banks. It represents the sector nationally and internationally vis-à-vis the private sector, policymakers, the authorities and the general public. The SBA advocates for open markets, scope for entrepreneurial freedom and a level playing field. As a centre of competence, it propagates banking expertise and actively engages in future topics. The SBA was founded in Basel in 1912, and its membership today comprises around 265 organisations and some 12,000 individuals.

About zeb

As a leading strategy, management and IT consultancy, zeb has been offering transformation expertise along the entire value chain in the financial services sector in Europe since 1992. zeb has five offices in Germany – Frankfurt, Berlin, Hamburg, Munich and Münster (HQ) – as well as 10 international locations. zeb's clients include European large-cap and private banks, regional banks, insurers as well as all kinds of financial intermediaries. Several times already, the company has been classed and acknowledged as "best consultancy" for the financial sector in industry rankings.

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