Swiss Banking

PRESS RELEASES 28.03.2019

Shaping the future with sovereignty: Swiss Bankers Association supports the institutional agreement with the EU

Basel, March 28, 2019 – The banking sector has a keen interest in continuing the successful bilateral approach with the EU. As a major export industry, the banks are reliant on market access. At present, however, the banks have only limited access to the EU market. The SBA therefore supports the conclusion of the InstA. An institutional arrangement with the EU, such as the agreement under discussion, is a decisive step towards securing existing market access, as it brings dependable processes and improved legal certainty. At the same time, the InstA creates the basis on which concrete, practicable market access solutions can be developed. The SBA very much welcomes the agreement as a whole. From the point of view of the banking sector, however, there are still certain points that need to be clarified upon signing.

The SBA supports the conclusion of the InstA on the basis of the present draft text. The Board of Directors of the SBA has declared its clear approval of the agreement. Herbert Scheidt, Chairman of the Board of Directors of the SBA, emphasised: “This

framework agreement is important and advantageous for Switzerland and its financial centre. The clearly defined processes strengthen legal certainty for both sides. For the banks, the institutional agreement creates the basis for preserving and improving their market access." Market access is of central importance for Switzerland as the global market leader in cross-border asset management, given that a substantial proportion of assets under management come from customers domiciled in the EU. "Without this agreement it will be difficult for Switzerland to maintain and expand market access," says Scheidt.

From the banks' point of view, there are certain unresolved points that need to be clarified upon signing. The SBA shares the view of Economiesuisse in this regard. The Federal Council is now called upon to take a position on the basis of the results of the consultations. "From a bank point of view, it's a double yes. Yes to the treaty. And yes to a few clarifications that are still needed – in the interests of achieving a high-quality framework agreement capable of securing a majority," says Scheidt.

Framework agreement places trade relations on a more objective footing

For the banking sector, unlike other sectors of the economy, what is involved is not just "further developing" bilateralism, but also safeguarding existing market access. The SBA's expectation is that a framework agreement will lead to the existing equivalence processes being formalised. This relates not only to stock exchange equivalence but also to other equivalence processes under the current EU third country regime. We expect the proceedings currently in progress to be concluded swiftly.

Active market access is largely lacking today in the area of cross-border banking, securities and investment services. For the Swiss banks, an institutional

arrangement with the EU is a decisive step that will enable the necessary and practicable market access solutions for the sector to be formalised – both with regard to important partner states and at EU level. In the area of state aid, the SBA assumes that the InstA (in particular Art. 8) does not set a precedent and that a market access solution tailored to the banking sector remains possible.

Roadmap to improved market access

The InstA currently has no elements covering financial services. It is therefore important for the banking sector to clarify with the EU the specifics of how market access can be improved. These should be defined in a roadmap. The following points are priorities:

- Concluding financial equivalence processes, as mentioned above.
- Ensuring that the InstA facilitates options for sensible and practicable market access solutions. These should account for the realities of the banking sector and stop short of a sectoral financial services agreement. In any event, market access must go beyond the scope of the existing equivalence processes, as these do not cover all the relevant business areas of the Swiss banks. In particular, the InstA opens up scope for market access solutions in banking, asset management and investment advisory services.
- The medium to long-term goal is to improve the current equivalence regime (enhanced equivalence) through predictability, transparency and objectivity.

There is a great deal at stake

Approximately CHF 1,000 billion of assets are managed out of Switzerland for customers in the EU. Around 20,000 bank employees are directly involved in this

area of business, which generates an estimated CHF 1.5 billion in taxes annually in Switzerland. Aside from the domestic market, the Swiss asset management industry mainly manages assets of institutional EU customers, in the order of CHF 100 billion. The importance of market access is growing as the domestic market is becoming increasingly saturated, while demand for institutional asset management in the EU is set to increase. Without an institutional agreement, there is therefore a risk that this significant business will shrink.

Press and media inquiries

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