

Private Banking Day – Thursday, 11 May 2017

Boris Collardi, Chairman of VAV & CEO of Julius Baer Group

Embargoed until 11 May 2017, 1 p.m

Agility – a Swiss trademark in uncertain times

Ladies and Gentlemen

It is my great pleasure to welcome you to the second Private Banking Day on behalf of VAV and SPBA. Last year we invited you to Geneva. Today we are meeting in Zurich, the other important wealth management location in Switzerland. It is the aim of the Private Banking Day to engage in an open dialogue about our interests as private banks, and to consolidate our positions. That you have come here today in such large numbers proves your keen interest in the challenges of our industry and its future. I thank you for it.

No industry-specific, political or regulatory concern takes centre stage today, but rather a macroeconomic phenomenon. A phenomenon that epitomises the overarching structural problems in our market-oriented national economies. The low-interest environment in general, and negative interest rates in particular, have for some time had a noticeable impact on the entire private banking industry. But it's not just our industry that is directly affected by negative interest rates. They are engulfing other areas as well, and constitute uncharted waters for our entire economy. Our prominent guests will later illustrate and discuss the ramifications of this far-reaching phenomenon in detail. I will therefore limit myself to a few basic comments on our industry's current environment.

Let me begin with one of our key "refrain": Private banking is an export industry. This fact remains too little known in this country, and has to be driven home more forcefully in the political arena. Who in Federal Bern knows that our industry's currency-driven, cost-revenue structure is comparable to that of typical exporters in the machinery, watch and tourism industries? It may be common knowledge that we are in strong global competition with other financial centres. But few people realise that many of our clients live outside Switzerland while still being served primarily from here, so most of our services are actually produced in Switzerland. This means that we are equally affected whenever the Swiss franc suddenly and strongly appreciates, or is overvalued for a prolonged period of time. In fact, certain private banks sometimes exhibit a more pronounced currency mismatch than many prominent industrial export names. Hence, we need to make it even clearer to both the public and the politicians that we are firmly advocating a sustained strengthening of Switzerland as a production centre, the so-called Swiss-Made factor. I'm always personally pleased whenever a media report stresses this export characteristic of our industry.

We have seen some turbulent times since our last meeting in Geneva. Both the outcome of the Brexit vote and the election of Donald Trump were spectacular surprises. The continuing low-interest environment and radical changes arising from digitalisation confront our industry with challenges that were hardly imaginable at the turn of the millennium. The once tried-and-tested political, macroeconomic and leadership models in business are becoming more and more ineffective. The economy, politics and society need to face up and adjust to the changed conditions. This also holds true for Switzerland and its financial centre. It is of paramount importance for us as an export industry that the terms for unobstructed international market access are redefined. In order to achieve this goal, I think we should adhere to four guiding principles:

1. First, we have to be pragmatic at all times, and willing to accept even less welcome geopolitical conditions or international standards if we want to remain successful on a global scale. It is therefore necessary to implement the automatic exchange of information as well as international standards for stabilizing the financial system. We also will have no choice but to come to a long-

term agreement with the EU, our most important trading partner – regardless of whether we like or dislike its future institutional development. The art of implementing international standards lies in achieving this without a "Swiss finish" and at the same time fighting efficiently for strict observance of the "level playing field" principle by all competing financial centres, some of whom are powerful.

2. Secondly, we need to observe all further international developments circumspectly. This means that Switzerland's diplomats and financial players need to interact and network as effectively as possible at international level, such as in international financial bodies, within the EU and with the other financial centres. Only then can we recognise impending changes early and respond to them fast and appropriately. In the absence of long-term planning certainty, we need to develop and constantly update scenarios for the further development of our industry, and we need to do so without taboos and blinkers.
3. Thirdly, we must maintain our ability to act and avoid the possibility of Switzerland unnecessarily undermining its strategic options, whether through unilateral agreements or by taking a premature and precedent-setting stand. It is vital, too, to take advantage of so-called "windows of opportunities" as fast as possible, even if our esteemed federal system of direct democracy can have a slowing effect. It is imaginable that Brexit opens up a chance for Switzerland and the UK to improve their mutual market access in financial matters. It is also possible that a solution between the UK and the EU could eventually set a positive precedent for the further development of Swiss relations with the EU.
4. Finally, it is imperative for Switzerland, with its small and open economy, to optimise its political and economic framework conditions independently on a continuous basis, wherever it has room for autonomous differentiation. I'm thinking here of free-trade agreements outside Europe, an attractive tax policy (abolition of duty transaction stamp, a new corporate tax reform), the curbing of our home-made regulatory jungle, bilateral market access in financial matters and, last but not least, a rejection of a comprehensive-risk-cover mentality, or, to put it differently, of a zero-error tolerance in business matters.

If we are willing to act together and pragmatically, if we follow international developments circumspectly, if we keep open as many options for action as possible, and if we improve our parameters wherever we can do so independently, then I'm convinced that we as an industry will be well equipped for the numerous impending challenges and will continue to be successful in the future.

I will now hand over to Miss Katja Stauber, who is presenting this event. I would like to thank you for your attention.