

Press release

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Boosting private banks with a programme of reforms and differentiated regulation

At their fourth annual joint press conference in Berne, the Association of Swiss Private Banks (ASPB) and the Association of Swiss Asset and Wealth Management Banks (VAV) today presented the priorities of Swiss banks offering wealth management services for securing their future in an ever more demanding environment. The associations explained that implementing differentiated regulation and market access in particular would boost the competitiveness and vitality of Swiss private banks. The Chairmen of the two associations, Yves Mirabaud and Boris Collardi, took turns to outline a number of approaches for the future.

Competitive private banks thanks to differentiated regulation

Speaking about the constant tightening of banking and financial regulations since the crisis of 2008, Yves Mirabaud, Chairman of the ASPB, drew listeners' attention to the pressure that this trend puts on small and medium-sized banks, whose regulatory costs have more than doubled in ten years. They are therefore bearing the brunt of the increased application of international standards originally intended for systemic banks.

Gratefully welcoming FINMA's stated willingness to loosen the stranglehold on the smallest banks, the ASPB's Chairman asked for the principle of proportionality heralded by the Swiss Financial Market Supervisory Authority to be applied more consistently in order to foster diversity in the banking sector. In practice, FINMA defines supervisory categories based on purely quantitative criteria such as balance sheet total or assets under management. However, it refrains all too often from implementing the regulation in a differentiated manner that reflects banks' business models and the real risks that they represent, even though this would enable low-risk category 3 banks to benefit from relaxation of some rules.

Addressing the banks' efforts in this area, Yves Mirabaud expressed his desire to see the end of the unjust criticism to which they are subjected and the attacks on their clients. He stated that we need to stop confusing legality and morality, saying, "*Recognising that everything that is legal is not necessarily moral must not lead to criminalising all attitudes which might not be considered ethical.*" Instead, he called for general conditions which would enable banks to develop in Switzerland, also because the entire economy is affected. The creation of jobs abroad by banks affiliated with the ASPB results in CHF 250 million in salaries which are lost to the Swiss economy and CHF 100 million to the taxman.

"That is why it makes sense to ensure that a truly differentiated approach is established which differentiates between systemically relevant banks and other banks to guarantee the diversity, fairness and competitiveness of Switzerland as a financial centre," concluded Mirabaud.

A programme of reforms for an export sector

Chairman of the VAV Boris Collardi expanded on the issue by highlighting the significance of private wealth management to Switzerland as a financial centre overall, stating that it generates more than 50 per cent of the entire revenue of the national banking sector, making it the cornerstone of the country's financial activities. *"It is important to position private banking even more clearly in Switzerland as one of the country's key export industries,"* he said, recalling the fact that Switzerland dominates the global market and manages 25 per cent of cross-border wealth around the world – a total of USD 10,000 billion. However, he warned listeners that this leading position is not set in stone and that some competing financial hubs are expanding faster, especially in Asia.

Against this background, Collardi called for a programme of reforms which takes into account the nature of private banking as an export industry, in particular with regard to accessing the markets of the EU and rapidly growing regions. In order to achieve this objective, he explained that three steps must be taken, namely signing bilateral agreements with the EU's major countries, ensuring that Swiss regulations which are the equivalent of European guidelines are finally recognised as such by the EU and making serious progress on analysing an agreement on financial services. *"In terms of equivalence, the EU now needs to prove that it is a reliable partner and the Brexit negotiations can no longer be an excuse for artificial delays,"* emphasised the VAV's Chairman.

Finally, Boris Collardi highlighted the other elements of reform that would be essential to ensure the competitiveness of Switzerland's private wealth management sector in the long term. These are the role that must be played by the Swiss Finance Institute in guaranteeing extremely high-quality training for bank staff, the importance of putting an end to the 'Swiss finish' and guaranteeing a level playing field when it comes to international standards such as the automatic exchange of information, active promotion of Switzerland as a financial centre by the authorities and industry alike to cultivate its positive image and the need for players in the industry to work together more effectively, whether in dialogue with independent wealth managers, by exploiting more systematically the potential offered by digitalisation or by boosting the sector's industrialisation with increased partnerships in non-competitive fields, such as those now favoured by the SIX Group's new strategy.

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