

Future Strategy: Cooperation or Submission?

Some observers seem to believe, that Switzerland has no strategy for its financial sector. This impression is false. Since 2000, there has been a series of official studies to develop strategic ideas on the future shape of the Swiss financial sector. Most of these earlier studies were short of concrete measures and have not always been supported by the financial services industry.

In the previous studies, the foundation of the strategic approach has been laid by defining the four pillars: enhancing the international competitiveness, ensuring and improving access to markets, enhancing resistance to crises and ensuring the integrity of the financial center.

” *The new Regulatory Landscape directly influences Competition* “

Most recently, the Brunetti Group of Experts has presented its final report “Further Development of the Financial Market Strategy Switzerland”. Other than the previous, mainly academic- and diplomatic driven round tables, the Brunetti group also included industry representatives. It was also the Brunetti group (after its head, Prof. Aymo Brunetti), who recommended to the Federal Council in 2013 to support the elimination of the banking secrecy and the implementation of the automatic exchange of information (AEOI).

Being purely strategic, the room for concrete measures triggered by expert groups is limited and mainly directed towards domestic rules. But in its recent report - amongst many other recommendations - the Brunetti group questions the obstacles created by international regulatory hurdles that may threaten the market access for Swiss players to the EU.

Since the outbreak of the subprime crisis, a wave of new regulations has been launched on a global-, regional- and even country level. In combination, these complex regulations may create a global mine field for financial market participants. Some of these frameworks have resulted in inefficient rules; their sometimes overlapping complexity creates a particular heavy burden for small- and medium sized banks, who struggle with the additional costs of doing business, based on increasing legal-, regulatory- and compliance requirements and the constantly moving targets. Moreover, some rules have been purposefully launched with the inten-

tion to ring fence the domestic financial sector under the label of “consumer protection”. Overruling the free market principles, these conditions are directly influencing the competitive landscape and put the domestic players at advantage.

Looking at this context, the Brunetti group recommends, that the Swiss regulatory framework should be even more closely aligned to EU rules, in order to create a facilitated access to the most important markets for Swiss market participants.

However, due to the advanced state of regulatory developments, it might be too late to achieve an improvement of the Swiss finish with the European Union. Also in the light of the currently rather difficult relationship between EU and Switzerland, we believe that advanced rules or regulations cannot be amended. There is a risk, that Switzerland continues to lose its advantage with respect to regulatory differences. We are strongly advocating for full transparency and respecting the laws and regulations - at the same time, it would be wrong to follow a consensus driven approach with uncertain outcome, without fully analyzing the long term impact.

Also on the domestic side, the Swiss policy makers need to consider global competition by ensuring, that the business environment is not additionally strained by new rules, that are stricter than those of competing Financial Centers around the world. This helps containing the risk of business outflows from Switzerland (Asset Management, Investment Banking).

Formal expert groups continue to play an important role and add value in the development of regulatory- and strategy adjustments, by adding an industry “think tank” perspective to the policy making process. The added value is a more pragmatic reflection in strategic developments and regulations, directly supported by the stakeholders. We are therefore convinced that the Brunetti report is not the final chapter written on this subject.

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