Association de Banques Privées Suisses
Vereinigung Schweizerischer Privatbanken
Association of Swiss Private Banks

Vereinigung Schweizerischer Assetmanagement- und Vermögensverwaltungsbanken
Association de Banques Suisses de Gestion
Associazione di Banche Svizzere di Gestione Patrimoniale ed Istituzionale
Association of Swiss Asset and Wealth Management Banks

VAV ABG

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# Private banking as a key export industry for Switzerland

## EU market access and the further development of banking secrecy are the main challenges for the sector

At their joint press conference, the Association of Swiss Private Banks (ASPB) and the Association of Swiss Asset and Wealth Management Banks (VAV) focused on two issues which will play a significant role in shaping their sector over the next few years. On the one hand, it was clearly demonstrated that Swiss private banking exhibits all of the characteristics of a classic export industry. It is thus reliant on being able to export its services without hurdles, in particular to EU countries. On the other hand, the scope of banking secrecy is now also an issue for Swiss clients. It is up to Switzerland's citizens to decide on the country's general approach in this regard when they vote on an upcoming popular initiative. Whether the initiative is passed or not, the private banks wish the tax system to remain coherent.

**Swiss private banking – an export industry in the heart of Europe**
As a large portion of the sector's services is produced in Swiss francs and the lion's share of revenues is generated in foreign currencies, an overvalued Swiss franc also has a significant impact on the private banks. "Our sector's business model has a cost-income structure that is very similar to those of typical exporters in the machinery, watch or tourism industries," VAV Chairman Boris Collardi said. The private banking sector thus requires Switzerland's framework conditions as a production location to be strengthened in specific areas in order to ensure that it can also operate competitively from Switzerland in the future and export its products worldwide. In other words, it needs unhindered access to its key markets, wants to avoid 'Swiss finish' regulations that go beyond international standards and – at an international level – Swiss authorities should seek an active commitment to the mandatory observation of the 'level-playing-field' principle by the industry's competitors.

Boris Collardi's comments focused on the significance of a good partnership with the EU. As a financial centre, Switzerland is a global leader in the area of cross-border private banking, with 40% – and thus the largest portion – of assets under management here originating from Western Europe. For this reason, the sector is also reliant here on qualified employees from abroad and, above all, from the EU. It is therefore paramount that relations with the EU are once more put on a stable footing and that the mass immigration initiative is implemented in a manner that does not endanger Switzerland's entire network of relationships with the EU. For the further development of private banking, it is essential that EU clients can access active and comprehensive advice and support from Switzerland. At present, this is only possible on a very limited basis. "The key to success is and will remain ensuring unhindered, stable and legally sound EU market access while maintaining the greatest possible level of sovereign freedom," concluded Boris Collardi, who also spoke in favour of pursuing a systematic market access strategy in connection with EU countries.

**Banking secrecy for Swiss clients at a crossroads**
At the outset of his speech, Yves Mirabaud, Chairman of the ASPB, emphasised that the "the Swiss banking sector as a whole approves the move towards automatic exchange of tax information with foreign countries, as this is the model that the international community has chosen." However, a country is not forced to apply the same system to its internal affairs. Each State is free to decide how it wishes to ensure that its citizens meet their tax obligations.

Banking secrecy can currently be relied upon in cases of tax evasion. This legal provision has proved effective until now. Nevertheless, the 'Yes to the protection of the private sphere' initiative now wants to anchor this in the Constitution. Depending on the outcome of this initiative, the fulfilment of tax obligations in Switzerland will continue to be guaranteed via a withholding tax or there will be a move towards more exchange of bank data. It is up to the population to set the direction to be taken. "Our industry can adapt to either of these scenarios," Yves Mirabaud said, "but in both cases a coherent tax system is essential."

Should the initiative be passed, the current withholding tax approach will need to be developed rationally and no new bureaucratic tax compliance requirements should be imposed on banks. If the initiative is rejected however, the levying of a withholding tax could be abandoned.

"Assuming that all hidden and untaxed income will in the future either be disclosed to the tax authorities or subject to a withholding tax, there is strong justification for offering the concerned taxpayers a simple and attractive way to become tax compliant, as neighbouring countries have done," Yves Mirabaud concluded.

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