Message from the Ambassasor of Switzerland to Spain

H.E. Jean-Philippe Tissière, Ambassador of Switzerland to Spain

Ladies and Gentlemen,

It is an honour and a pleasure for me to address to you all a few words at the opportunity of the tenure of this eighth International Forum of the Convention of Independent Financial Advisors. It takes a special high symbolic value as it is held this year 2010 in Madrid, after Prague in 2008 and Paris en 2009, and this during the Spanish Presidency of the UE, the capital city of a country having become, over the last thirty years of democratic transition, the fifth economy of the UE and ranking today, according to various statistical indicators and institutions, between 9th and 11th at world level. Let me sincerely thank the organisers of this meeting which will hopefully bring fruitful thoughts to the financial community in this present environment, marked by the most serious crises we have ever lived at world level since the 1930s.

Providing financial services is not a profession like any other, but one marked by a higher responsibility. A responsibility existing at the interpersonal level between the client and its advisor, but also at a superior level. As we have painfully witnessed in the last three years, the large financial institutions bear the biggest responsibility. If just a part of their business stumbles and trust evaporates, these big banks pose a systemic risk to the entire financial system and to the real economy. Therefore, central banks and regulators had to react, by first supporting the banking system, and then overhauling the entire financial market regulation. In the next two days you shall discuss topics like "too big to fail" and banking supervision. For financial advisors it is important to know about new rules and procedures imposed by national authorities and supranational bodies.

Another topic which is of the utmost direct relevance to financial advisors and which is also scheduled for tomorrow is market integrity. It touches the very core of your activity. Clients don't only need advice on the technicalities of financial products, but they need to be treated ethically and carefully. Risk is not just the price variation of assets, risk should also take into account the regulatory environment and the society at large. After all, it is not desirable that individual behaviour is in contradiction with the interests of society. Excessive remuneration of top bankers is one example. Another one are the big scam schemes that led to huge losses.

Financial integrity is of utmost importance and has always been so. But let me also say that I am not of the view that criminals like Madoff are the only to be blamed for the financial crisis. They are to be blamed for their illegal behaviour which is abysmal on its own. But fighting financial crime is a duty for all and I particularly welcome the financial industry's own efforts. Let me mention CIFA's own code of conduct to deal with unethical practices and money laundering. A similar argument can be made on the protection of the privacy of customers. It is a value on its own and not a cause for the financial crisis. Let us not throw the baby with the water of the bath! But certainly it is not something to be abused either. Here, again, the responsible behaviour of bankers and independent financial advisors comes into play.

I now wish to make a few remarks on the impact of the global financial crisis on Switzerland and our reaction to it.

Switzerland as an export-oriented economy and an important financial centre could not escape the global financial crisis. However, we weathered the downturn better than most of our neighbours. GDP contracted only by 1.5% in 2009. This being said, the recession was still severe with the biggest annual decline in GDP since 1975.

To a large extent, this resilience was due to the robust domestic economy, especially private consumption and construction, which could partly offset the sharp export decline. At the outburst of the crisis, the Swiss economy was in good shape: no excessive indebtedness and no real estate bubble. And above all, we are benefiting from a serious good standard of world economic efficiency as well as of a flexible economy where the very large part of our GDP is due to small and medium size companies always on a process of adaptation to world competitiveness economic challenges

In addition to what I just mentioned, and as a reaction to the crisis, fiscal policy put a strong focus on expanding the unemployment benefits. In addition, the Government provided appropriate measures by anticipating public expenditure. Overall, the impact of these stimuli measures was about 1.5% of GDP in 2009, without pushing the balances into deficits. On the contrary, we even managed to achieve a surplus of 2.7% of GDP in 2009. Looking ahead, we are confident to maintain a balanced budget under the debt brake rule. The Government has already made proposals in view of a limited budgetary consolidation effort.

Coming to the Swiss financial centre, let me first quickly recall what happened in 2008. State intervention was necessary for one systemically important financial institution, UBS. The package of measures relieved the balance sheet of UBS from illiquid assets and strengthened its capital base.

Since then, Switzerland has taken a number of national measures to enhance system stability:

- Capital and liquidity requirements for the two big banks were tightened. These early measures were groundbreaking because they anticipated the multilateral work by the Financial Stability Board and the Basle Committee.
- An expert committee put in place by the Government will soon present possible measures to tackle the "too big to fail" issue.
- Depositor protection was improved by raising the minimum protected savings from CHF 30,000 to CHF 100,000.
- Our financial market supervisor released new rules for remuneration schemes according to the FSB recommendations. Variable remuneration must depend on the business performance of the financial institution, the risks entered into, and its effects on the capital and liquidity situation.

Looking ahead, we are well aware of the responsibilities that the Swiss position among the top ten financial centres entails. We are willing to continue to make our contribution, both intellectually and financially, to efforts required to restore the orderly functioning of global markets and to increase the resilience of the system.

The Government's financial market strategy consists of 4 pillars: financial stability, access to major markets, sound regulatory framework and market integrity.

Switzerland doesn't practice any industry policy, which means that the private actors themselves must find the best sectors in which to work. Three main trends have to be underlined here:

1. Cross-border private banking will remain a cornerstone, albeit with a possible shift to Asia and the emerging world in general. In Europe, wealth management will be more domestic, less cross-border.

2. The future is tax compliant. This means balancing each state's legitimate interest in implementing its tax legislation with the interests of clients to have their privacy protected.
3. Other fields need to be further developed, such as institutional asset management, trade finance and the investment fund business.

With this outlook, Ladies and gentlemen, I have come to an end. In an ever changing world, businesses and governments continuously have to adapt, to move ahead. The reward that comes with constant movement is generally called health. It is a question of confidence , ethic and always of professional self discipline.

I wish full success to your forum being convinced that this opportunity offered of exchanges among professional of the financial world at the forum of an NGO like CIFA, benefiting of a consultant status at the ECOSOC and being accredited at the UNCTAD, will bring a due contribution to the necessary way out of the most important economic crisis of our present time..

Thank you very much

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