Leading worldwide, rooted in Switzerland: Policy for a future-proof Swiss financial centre
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Policy for a future-proof Swiss financial centre

Summary

A strong financial centre is key for the Swiss economy and Switzerland's standing as an international location. Switzerland should therefore maintain its place among world-leading, modern and globally active financial centres. The Federal Council wants to assist and support this with a sound and dynamic financial market policy.

This financial market policy builds on traditional Swiss strengths such as high productivity, stability, security and trust. In order to maintain a leading position on the international stage in the future while also meeting the needs of the population, these strengths need to be combined with an openness for new technological and international developments, and efforts to increase international competitiveness. In its new strategy presented here, the Federal Council has therefore defined nine specific areas of action for a future-proof Swiss financial centre under the three key thrusts "innovative", "interconnected" and "sustainable".

Innovative

Existing and new financial centre players must be able to exploit the many possibilities offered by new technologies and data-driven business models in an optimal manner. To enable this, the Federal Council is creating a technology-neutral regulatory framework for digital access, digitalising the interfaces with the authorities and promoting innovation in the financial sector.

Interconnected

The international financial market regulatory framework is constantly being refined in the competent international bodies. Through its active involvement in the framework design, the Federal Council represents Switzerland's interests, also with the aim of improving market access from Switzerland. The Federal Council provides attractive and internationally compatible conditions which ensure that the financial centre has global reach. The Federal Council supports the financial sector in communicating its appeal to an international audience.

Sustainable

For financial service providers, as for all sectors of the economy, sustainable growth in all its aspects is the only viable path for future development. This involves not only the fundamental stability of the Swiss financial sector, its integrity and the effective combating of criminal risks, but also – against the background of the 2030 Agenda and especially climate change – tools to ensure the measurability and transparency of service quality and of effective product prices.
1 Ambition: leading worldwide, rooted in Switzerland

Global financial centre

Today, the Swiss financial centre ranks among the most important worldwide and is a major contributor to the Swiss economy. It performs key services for national and international businesses, and for the Swiss population.

Quality, competitiveness, future viability

The primary objective of a Federal Council strategy must therefore be to maintain and develop framework conditions that allow financial services in Switzerland and working out of Switzerland to continue meeting the highest expectations set by its national and international clientele while keeping pace with societal changes. In other words: the financial centre must have optimum conditions in order to remain competitive and future-proof while providing top quality.

Openness, innovation, reliability, trustworthiness

In Switzerland, financial services can rely on an environment that is almost unique in the world as regards its combination of factors: uninterrupted legal, political and financial stability, a competitive and simple tax system, a top-quality infrastructure, openness and a high degree of innovativeness, high expectations in terms of the responsibility and competence of citizens and authorities, and sound public finances thanks to a constitutionally anchored budget policy with a long-term outlook. The COVID-19 crisis has underlined and reaffirmed the importance of reliability, trustworthiness and resilience.

Value creation, sustainability, stability

In the future, too, the financial centre should be able to generate added value and employment in Switzerland, and contribute to sustainable development. FINMA's risk-based supervision and the Swiss National Bank's independent monetary policy continue to be key pillars and complement the Federal Council's policy for a future-proof Swiss financial centre.

The strategy presented here highlights the Federal Council's financial market policy objectives and the ways in which it aims to further develop the framework in pursuit of those objectives. This also includes individual developments in international tax policy where they complement or affect financial market policy. A comprehensive tax policy agenda is being drawn up by a working group led by the Federal Tax Administration, and will be the subject of separate reporting.

The strategy follows up on the existing 2016 strategy, and is integrated in the Legislature Planning for 2019-2023. It complements further Federal Council strategies, such as the Foreign Economic Affairs Strategy, the Foreign Policy Strategy, the Sustainable Development Strategy and the Digital Switzerland Strategy.

This strategy first describes the current environment for the Swiss financial centre (section 2) and looks briefly at the most important trends (section 3). The main strategic thrusts for future policy are then derived (section 4) and developed further into specific areas of action (section 5).
**2 The Swiss financial centre today: sound, global, in transition**

**Service provider for the Swiss economy**

Banks, insurers, asset managers and other financial service providers perform key functions for society in everyday life. Without them, consumption, trade, investment, insurance from risks and pension provision would be impossible. The financial centre mobilises capital and makes it available to companies for investment purposes and for putting new business ideas into practice. Internationally active SMEs and large companies rely on cross-border financial services that support their business activities.

The figures show that Switzerland currently has a financial centre that provides the Swiss economy with essential services and contributes to the country's international competitiveness. In 2019, banks supplied CHF 1.212 billion in credit to citizens and businesses; of this, CHF 1.038 billion was in the form of mortgage loans. On capital markets, banks supported bond issues worth CHF 43 billion (CHF 16 billion in net terms). In 2018, financial institutions managed CHF 865 billion in pension fund assets and CHF 123 billion in third-pillar pension assets.

Insurance institutions (of which there are just under 200) not only allow private individuals and companies to obtain coverage for numerous risks, they are also important investors. Swiss insurers' total capital investments amounted to CHF 542 billion in 2019. In the direct non-life insurance business, Swiss insurers paid out CHF 18 billion on claims in Switzerland in 2018.

**Employer and taxpayer**

In 2019, the financial centre contributed 9.2% to GDP. Thus, the banking and insurance industry is the second-strongest industry in Switzerland in terms of value added. In 2019, the Swiss financial centre employed 206,419 people, representing 5.2% of total employment. In the same year, the financial centre contributed an estimated CHF 7.9 billion, or 7.2%, to public finances.

**Global player**

Cross-border business, in particular, is a key factor in the financial centre's considerable importance. Switzerland is the most significant centre for cross-border wealth management, with USD 2,400 billion in client assets, compared to USD 1,900 billion in Hong Kong and USD 1,100 billion in Singapore.

As for the growth of the Swiss insurance industry, this is in large part due to Switzerland's increasing importance in the global reinsurance business, as well as to an increase in non-life insurance. Life insurance grew only slightly, owing to the low level of interest rates. The Swiss (re-)insurance location, with its internationally successful companies and great expertise, contributes to the global importance of the Swiss financial centre.

In addition, Switzerland has the third-largest stock exchange in Europe and is one of the world's leading commodities trading centres.

The international importance of the financial centre is also reflected in trade statistics. It is an important export industry, accounting for 24% of service exports in 2019. In 2018, Swiss financial institutions' share of foreign investment amounted to 12.4% of total Swiss capital stock abroad.

**In transition**

Since the 2008 financial crisis, however, the Swiss financial centre's share of GDP has been declining, despite a slightly positive trend in value added. Over the same period, financial sector employment has likewise decreased in both absolute and relative terms. At the same time, the number of banks in Switzerland fell from 325 in 2009 to 246 in 2019, especially in the area of foreign and private banks.

This development can be explained by the changing conditions in the international tax framework and the global wealth management business, the
contraction of big banks’ investment banking business and increased pressure on margins caused by the low interest rate environment.

Over the same period, the insurance industry's share of value added has risen steadily to CHF 30.9 billion, bringing it close to the banks’ share of CHF 33.6 billion. The consolidation in Switzerland also mirrors a trend witnessed across Europe. Other regions of the world have been able to exploit positive demographic and wealth trends.

The emergence of fully digital “neobanks” and fintech service providers is unlikely to have a major impact on the available data, but might reinforce the existing trend towards downsizing and consolidation in the banking sector. By contrast, rising employment has been observed in activities auxiliary to financial and insurance services. This is probably due to the increasing spread of outsourcing and, more generally, to the greater fragmentation of value chains in the financial sector. It can be assumed that these trends will continue.
3 Trends: more hotly contested, more digital, more sustainable

In recent years, new developments have come to prominence; in the political environment, and particularly in technology. Context and priorities have changed and fracture lines are emerging. The following main trends have emerged:

| Legal and planning certainty at global level | For some time now, the global order has been characterised by growing multipolarity. The search for common solutions in multilateral bodies has become more difficult. The governance and legitimacy of international organisations are being called into question. Linked to this is a shift from a rules-based to a power-based global financial and economic system. Demands are often implemented through standards, recommendations and principles without legally binding status, or through reciprocal peer reviews. Often, they are enforced through unilateral mechanisms or sanctions with an extraterritorial reach. National interests are usually behind such approaches. This has a particular impact on small and medium-sized countries that do not belong to a political alliance and are heavily integrated into global value chains, such as Switzerland. In the areas of finance and tax, this has led to a global competition for influence, for leadership of the debate and for a bigger share of global value added. Access to foreign markets remains a constant challenge for the Swiss financial centre, owing to increasing access barriers and stricter regulatory requirements. |
| International developments | The shift taking place in the Swiss financial centre has also been shaped by overriding economic, legal and geopolitical changes and, in particular, by the radical change in international financial market and tax policy in the wake of the 2008 financial crisis. For instance, on 1 January 2017, the automatic exchange of information on financial accounts (AEOI) was introduced and activated with 97 partner states. The tax dispute with the US was finally settled. At the same time, the stability of systemically important banks was strengthened in line with the measures adopted in 2008 by the Financial Stability Board (FSB); these were likewise a product of the financial crisis. In the fight against financial crime, money laundering and terrorist financing, Switzerland has repeatedly adjusted its regulations to meet internationally recognised rules and the recommendations of the Financial Action Task Force (FATF). At international level, Switzerland has strengthened its position in international financial and tax fora (OECD, FSB, IMF, FATF) and has been an active participant in the work of the G20 – first in 2013 and then continuously since 2016 through its participation in the G20’s Finance Track. Through Switzerland’s active participation in international efforts and its commitment to implementing international standards, the image of the Swiss financial centre abroad has substantially improved. |
| EU market access, Brexit | Although emerging markets, especially those in Asia, have grown in importance in recent years, Europe and the EU continue to be key export markets for Swiss services, owing to their geographical proximity and the close economic and cultural ties. The Swiss financial centre’s close interconnection with Europe is reflected in the integration of Swiss financial institutions in European payment transactions. |
While refining its internal market for financial services, the EU has further harmonised access to the EU market for external financial service providers. Third-country provisions often contain the possibility of market access or reduced regulatory requirements if the third country has equivalent regulation (equivalence). However, the decision on recognising equivalence is taken unilaterally by the EU. As regards such equivalence, the implementation of international standards partly ensures regulatory convergence, but there are significant areas in which the EU diverges from international standards.

In some key areas – taxing the digital economy, green finance, tax administrative assistance and anti-money laundering measures – the EU is endeavouring to set standards by itself.

With the UK’s departure, the EU has lost its largest national capital market. Swiss financial institutions were, and still are, obliged to rearrange their European business activities. In addition, there are also questions with regard to Swiss financial institutions’ access to the British financial market.

### International locational competition

As numerous rankings and studies have shown, Switzerland has lost some of its attractiveness as a business location in recent years. The causes are partly domestic, as urgent reforms have faltered. Foreign competitors have also been catching up. In addition, the rise of financial centres in Singapore and Hong Kong are but the consequence of the general dynamic economic development in the region. Locational competition has become much more intense over the past few years.

### Regulation, stability and consumer protection

At both national and international level, the regulatory density in the financial sector has increased, in response to the financial crisis. These stricter regulatory requirements have strengthened stability and consumer protection. At the same time, the complexity and costs for Swiss financial institutions have increased. At the same time, Swiss financial market regulations, more differentiated and principles-based in an international comparison, partly mitigate this.

### Digitalisation, artificial intelligence, new players, new risks

New products, processes and services are rapidly changing the value chains in financial markets. They include outsourcing, centralised processes, increasingly digital payment methods and means, and new ways of storing value. Moreover, parts of the previously clear division of roles between private players and state tasks are being called into question, and cryptocurrencies or stablecoins are challenging sovereign currencies. New players, from fintech and blockchain start-ups to software companies to globally active technology groups, are steadily gaining in importance.

These developments have been accompanied by an increase in risks, particularly the risk of cyberattacks. For example, cases of unauthorised access to data processing systems reported to the police have risen by 385% since 2009, going from 126 cases to 610. An in-depth assessment of how to regulate technology and its uses – in data protection, international data flows, artificial intelligence or electronic identities – is needed, and has also become a focal point in the financial market.

With opportunities and risks in mind, the Federal Council has established a preliminary basis for innovative and future-oriented services, by means of regulatory changes aimed at promoting innovation and reducing barriers to market entry for fintech companies, and proposals to improve the conditions for distributed ledger technology/blockchain.
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Low interest rate environment, risk exposure, lack of reforms

Even before the outbreak of the COVID-19 pandemic, global interest rate levels were low. The economic upheaval wrought by the pandemic and the monetary policy response by central banks have compounded the globally low interest rate environment. Low interest rates foster high levels of debt and a high willingness to take risks on the part of investors in search of yield. They can also increase the vulnerability to unexpected events. Interest rates have lost some of their pertinence as an indicator of risk. Imbalances on the real estate market could emerge, with the attendant risk of price corrections in the event of a future unexpected rise in interest rates.

As an open economy, Switzerland will find it virtually impossible to disconnect from global interest rate developments. The Swiss franc's status as a safe haven currency is unchanged and likely to continue. Moreover, demographic developments and, to date, insufficient structural reforms mean that the long-term financing of old-age and social security benefits is a key challenge.

Sustainability in the financial sector

By adopting the 2030 Agenda for Sustainable Development in 2015, the member states of the UN declared their willingness to jointly meet the 17 Sustainable Development Goals by 2030. Switzerland ratified the Paris Convention on Climate Change in 2017. In 2019, the Federal Council set the objective of zero net greenhouse gas emissions by 2050. Accordingly, sustainability topics are increasingly shaping the financial market. True-cost pricing and long-term risk horizons are improving decision-making by companies and investors. The relative prices of entire asset classes are shifting.

At the same time, today's investments influence future national and global infrastructure, energy supplies and production processes, and their sustainability. The importance of sustainable financial investments has risen sharply, for both wealth management and investment advice and pension funds and insurance companies. For example, sustainable financial investment in Switzerland surged from CHF 141.7 billion in 2015 to over CHF 1,163 billion in 2019.14

COVID-19, debt, distribution battles

The COVID-19 crisis is likewise affecting financial markets. Insurers and reinsurers are facing a rise in insurance claims. In addition, investment business has also come under pressure during the crisis. For a brief period, there was a global funding shortage on money markets. There is a danger that banks will face a growing number of defaults on corporate and mortgage loans in the medium term. So far, the bridging credits guaranteed by the Confederation (COVID-19 credits) and other financial support measures have kept default levels down. The progress made in financial institutions' capital situation has meant that Switzerland's financial sector remained stable even during the crisis.

Sovereign debt, which had already increased sharply in the wake of the financial crisis, was further compounded by huge state expenditure during the pandemic. In some places, this is reinforcing the risk of overindebtedness, as well as distribution conflicts. This situation also poses questions for Switzerland as regards the outlook for an economic recovery and an early end to the low interest rate environment, given that the country is so internationally interconnected. At the start of the pandemic, Switzerland was one of the few OECD countries to have a low level of debt and corresponding fiscal policy leeway by international standards. The sound financial position, the debt brake and the sustainable financial policy have proved their worth and contributed to the stability and resilience of economic framework conditions in Switzerland during the COVID-19 pandemic.
4 Strategic thrusts: innovative, interconnected, sustainable

The trends described above will shape the environment for Swiss financial market policy and the Swiss financial centre for the years to come. In terms of the ambition stated at the outset, this yields three strategic thrusts for financial market policy:

Strategic thrust: innovative for excellence in financial services

Given the extent of technological change, both financial policy and international and location-related tax policy face particular challenges in creating favourable conditions for innovation. The Federal Council wants to be actively involved in this technological change and digitalisation, and to create conditions that will enable Switzerland to establish itself as an international leader. New measures on taxing the digital economy, as well as the framework conditions for digital business models in financial sector, the management of data and the interfaces between authorities, institutions and customers will be reviewed. At the same time, efforts in the area of prevention and mitigation of new risks (e.g. cyber-risks) will have the highest priority. Switzerland should be perceived as a secure and trustworthy location with integrity for the safekeeping of assets, especially those in the form of electronic data.

Environment:
- Greater mobility of information, goods, services and people
- Physical decoupling of production and consumption
- Loss of state taxing power over digital goods and services
- Distribution battles for shrinking tax base
- Return to the nation state as reference point
- Increasing protectionism and higher barriers to market entry
- Growing danger of power-based unilateral measures
- Higher requirements for transparency and integrity of cross-border financial service providers

Strategic thrust: interconnected, sustainable

Environment:
- Disruptive business models
- Reorganisation of markets
- Waning importance of traditional financial intermediaries
- Questioning of the state’s role as guarantor of law and order
- Fundamental redefinition of assets
- Control over and handling of data as an economic resource
- Cross-border scalability of digital infrastructures
- New dependencies and risk concentration

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Strategic thrust: interconnected for a strong Swiss position in the world

As a medium-sized, open and highly productive economy, Switzerland is reliant on and committed to, international interconnectedness and open markets – especially in the financial sector. Switzerland should remain an attractive location for globally active financial institutions in the future. In this regard, it favours international recognition of equivalent national conditions and the principle of a level playing field. Regulations for big banks and insurers are attractively designed and aligned with international best practice. The Federal Council is committed to maintaining the high degree of value added by the financial centre and the possibility of offering high-quality financial services in Switzerland to the rest of the world. It is crucial to influence relevant international standards, in order to ensure the international competitiveness of Switzerland’s financial institutions. At the same time, as a European location, it is important for Switzerland to maintain and foster relations with its neighbours, with the EU and with the UK post-Brexit. The global challenges require Switzerland to actively nurture its relations with partners both within and outside Europe.

Environment:
→ Growing importance of sustainable corporate and financial policy
→ Higher weighting of environmental responsibility and social solidarity against economic performance
→ Demand for greater transparency and true-cost pricing in light of climate change
→ Growing expectations on integrity of financial centres and financial products (money laundering, terrorist financing)
→ Louder calls for states to cooperate to ensure integrity of financial centres
→ Sustainability as prerequisite for competitiveness and future viability

Strategic thrust: sustainable for qualitative growth

Providing citizens and businesses with excellent financial services and payment systems has top priority. To achieve this, the Federal Council sets out the regulatory conditions so as to ensure the stability and functionality of financial institutions and the financial system. This also requires well-performing and innovative central financial market infrastructures, and appropriate handling of the risks stemming from systemically important institutions. At the same time, the security and integrity of the financial system must be ensured at all times. To this end, Switzerland is instituting arrangements that comply with the highest international standards on combating corruption, terrorist financing, money laundering and other financial crimes, especially the financing of human trafficking, the drugs trade and illegal arms trafficking. The Federal Council wants to further reinforce Switzerland’s position as a leading location for sustainable financial services. Long-term risks should be taken into account, sustainable conditions for efficient and risk-based pricing and transparency mechanisms created, thus making the associated financial and insurance products attractive. In this way, the financial centre should, firstly, contribute to achieving the sustainability goals under the 2030 Agenda both in Switzerland and abroad and, secondly, ensure its own future viability and competitiveness.
5 Areas of action: using technology and innovation to achieve sustainable success

In order to implement the three strategic thrusts described in section 4 (innovative, interconnected, sustainable) in its strategy, the Federal Council will take action in the following areas.

Innovative for excellence in financial services

1. Using the data economy for the financial centre

   Open finance and data-driven business models
   The Federal Council clarifies and improves general conditions, so that new players can use the opportunities of data-driven business models more efficiently. It promotes security, trust and self-determination in financial market data processing. In particular, the FDF is committed to opening up and to an industry-led standardisation of data interfaces in the Swiss financial sector, in order to promote the exchange of customer data between the classical financial market players and new providers. It expresses clear expectations to the industry in this regard, and will also examine the benefits of further measures such as the creation of new licence categories (e.g. outsourcing partner). As part of a situation analysis on data-driven business models, the FDF will also examine whether the current confidentiality requirements for banks and their staff are still appropriate in light of the new data protection legislation. In consultation with the competent offices, it will clarify the regulatory framework for the cross-border transfer of data and its storage abroad.

2. Integrating new financial market players

   DLT/blockchain
   The Federal Council strives to ensure that technology based on DLT/blockchain can develop its full potential. Using targeted legislative adjustments that are as technology neutral as possible, it increases legal certainty, removes barriers and reduces new risks. The Federal Council supports research and development in these technologies using the existing promotion instruments.

   Modular licensing arrangements
   New players, ongoing digitalisation and the increasing specialisation of financial services demand constant monitoring of the current financial regulatory framework, such as looking into the possibility of modular licences. In particular, the FDF, in consultation with FINMA, will examine whether it is possible to improve the collaboration between regulated and currently unregulated financial market players, and make it more efficient, through more modular licensing arrangements and greater differentiation in supervisory models.

   Financial ecosystem
   The FDF, in consultation with FINMA, the SNB and the financial and ICT sectors, is exploring ways to enable efficiency gains through common service providers. But it also wants to ensure competitive neutrality and appropriately mitigate concentration risks. The FDF promotes innovation on the part of the financial sector and the authorities, and is committed to improving the conditions for start-ups.
3. Digitalising access to financial market authorities

Official interfaces

In consultation with the private sector and the competent authorities, the Federal Council develops an action plan to improve the exchange of information with cantonal and national authorities, and the use of state services. It also examines technical measures to facilitate compliance with regulatory requirements, options for reusing already recorded data, or the nationwide use of standardised data formats. The Federal Council takes a pragmatic and solution-oriented approach.

Interconnected for a strong Swiss financial centre in the world

4. Strengthening the competitiveness of the financial centre

Attractive regulatory conditions

In the context of financial market policy, Switzerland is committed to providing attractive, internationally competitive and consistent conditions. The Federal Council takes care to ensure that the benefits outweigh the costs in any case. The regulatory framework is continuously being optimised, simplified where possible and regularly checked for effectiveness and efficiency. In doing so, the Federal Council adheres to the tried and tested principles of financial market regulation: risk-based, principles-based, competition-neutral, technology-neutral, proportionate and differentiated. The introduction of an insurance company regime similar to that for small banks, which reduces the complexity of regulation and oversight for small, particularly sound banks, is being considered. The use of technology in regulation is being evaluated. Switzerland should continue to be an attractive location for globally active institutions to site their head office.

Tax competitiveness

The Federal Council will seek more robust strategic steering and close cooperation with the cantons and the business community on Switzerland's attractiveness as a tax location whose design also takes account of the applicable international standards. As regards the financial market, the emphasis is on improving the tax framework for asset management and the capital markets in Switzerland, inter alia through the reform of stamp duty and withholding tax. In connection with the OECD/G20 project on taxing the digitalized economy, the Federal Council will advocate workable solutions that provide the affected companies with legal certainty without hampering innovation and economic growth. For the financial sector, appropriate exceptions are likewise under discussion.

Communication

The Federal Council communicates Switzerland's attractiveness as a business location, with its excellent financial conditions for international business activities, to the rest of the world. Special emphasis is placed on Switzerland's ambition as a leading location for sustainable finance. Tools for promoting Switzerland as a business location will be bundled and synergies will be exploited. The FDF takes advantage of opportunities for joint appearances abroad with the financial sector, for instance during visits by the Head of the FDF abroad.
5. Improving the exportability of financial services

**Market access**
Together with the EU and Switzerland's neighbouring countries, the Federal Council will explore workable market access solutions, including recognition of the equivalence of Swiss regulation and oversight, where this is meaningful from a macroeconomic perspective. As regards the UK, the Federal Council seeks as wide-ranging an agreement as possible on reciprocal recognition of financial market regulation and oversight, combined with close cooperation.

In its contacts with its partner countries, the Federal Council is committed to swift, plannable and results-oriented equivalence procedures and will examine the recognition of foreign legislation where possible and appropriate. The aim is to increase legal and planning certainty for cross-border business. In general, obtaining reciprocal market access is a priority. The FDF is in regular contact with its major partner countries, including the US and emerging markets in Asia, the Middle East and Latin America, and maintains the institutionalised dialogues on financial and tax matters.

The Federal Council monitors developments with regard to foreign financial market players in the Swiss market, particularly with respect to digital cross-border distribution channels. It regularly checks whether the applicable legal conditions are optimal in providing for such business models.

**Aptness for international cooperation**
To increase coherence and its capacity to act in financial foreign policy, the Federal Council proactively assesses possible courses of action in the area of tax administrative assistance. It examines whether additional measures are required in Switzerland as a result of international developments, and involves Parliament and other interested public groups at an early stage. This allows Switzerland to take up an early strategic position in an area of tension between national and international expectations. As part of a situation analysis, it continuously assesses the areas in which more in-depth cooperation with partner states would be in Switzerland's interest, particularly as regards the country's international reputation and market access, but also the repercussions for privacy and general procedural guarantees.

**Tax arrangements with other countries**
The Federal Council advocates optimal, non-discriminatory tax conditions abroad. It optimises the existing network of double taxation agreements (DTAs) and monitors compliance with existing agreements. At bilateral and multilateral level, it speaks out against measures that could jeopardise the legal certainty of the global DTA network, and ensures that domestic and foreign withholding tax is refunded swiftly and efficiently. In Switzerland, it promotes domestic capabilities in the negotiation and enforcement of transfer pricing, in particular through better coordination of the competent authorities.
6. Assisting to shape the international financial system

**Stability and openness**
At international level, the Federal Council strives to ensure that Swiss market circumstances are taken into consideration. The major guiding principles for this are a measured, risk-based design of regulations, the reduction of complexity and costs, technology neutrality, the establishment of legal certainty, implementability and the avoidance of duplication. The Federal Council is committed to the recognition and dissemination of Swiss regulatory and taxation principles. It is generally in favour of open markets and participates in international initiatives and measures to combat market fragmentation. At international level, it is an advocate of sustainable budget, monetary and financial market policies. Finally, the Federal Council is committed to a pragmatic discussion on new business models and technologies, innovative financial services and infrastructures, and improving and diversifying the international payment system, which takes both opportunities and risks appropriately into consideration.

**Implementing international standards**
As regards the implementation of international standards, the Federal Council follows a pragmatic and risk-based approach centred on the effects of new regulations. It also advocates the effective implementation of international standards by all states. In regulatory implementation, it takes account of the market conditions specific to Switzerland and the possible impact on other areas, especially access to foreign markets. The FDF examines areas in which a differentiated approach is appropriate, creates added value and makes sense given the conditions in the Swiss market.

**Representing interests at international level**
The FDF, together with the competent offices, actively promotes Switzerland's interests in the relevant committees and discussions of the IMF, FSB, OECD and FATF, as well as the G20 Finance Track. With a view to achieving the maximum effect of its international commitment, the Federal Council regularly assesses the optimum method of participation in existing and newly created international bodies dealing with finance and taxation. It strives to ensure permanent participation in the G20 on financial matters. The Federal Council observes and anticipates international developments that are of relevance for Switzerland. At an early stage, it identifies potential repercussions for Switzerland, sets priorities accordingly and takes a position. It informs Parliament at an early stage. Where appropriate, the Federal Council seeks to coordinate and align with like-minded countries.
Sustainable for qualitative growth

7. Ensuring resilience

Stability and growth
The stability of the financial system is a fundamental prerequisite for the sustainable development of the Swiss economy. The Federal Council is committed to the swift conclusion of the regulatory work that remains to be completed in the area of too-big-to-fail. It implements international standards (specifically Basel III) in step with other major financial centres. The FDF regularly reviews the regulatory framework as regards the risks stemming from systemically important financial institutions.

Crisis resistance
Thanks to a sustainable financial policy, the Federal Council ensures that it has sufficient room for manoeuvre to react swiftly and effectively to future crises. It combats excessive debt in the corporate sector and households, removes false incentives and designs the framework such that insurable risks can be covered and corresponding solutions are available on the market. At international level, within the IMF and the G20 Finance Track, the FDF advocates a sustainable global financial architecture, as well as transparent and sound public finances and debt.

8. Increasing transparency for sustainable investment

Sustainable finance
The Swiss financial centre should further strengthen its position as a leading location for sustainable financial services. The framework conditions should be designed to ensure that the competitiveness of Switzerland's financial centre is continuously improved and the financial sector can make an effective contribution to sustainability. For financial markets to adequately take environmental risks into account, it is an important precondition that a high-quality data basis in both the financial sector and the real economy is available, taking international standards into account. Moreover, increased transparency on environmental risks and environmental impact allows investors to make decisions efficiently, promotes innovation capabilities in the financial sector and helps to avoid greenwashing. In order that risks to financial market players are more clearly visible and palpable, external costs of environmental and climate damage from economic activities in the real economy need to be internalised. The Federal Council continues to advocate at international level that greenhouse gas emissions should be appropriately priced using market economy tools, such as charges or emissions trading systems.

Green fintech
Thanks to the more efficient use of digital technology, fintechs are becoming increasingly important for the financial centre, either by acting as innovation partners of traditional financial players or occasionally by replacing their value added. Fintechs are thus essential for the future sustainability and competitiveness of the Swiss financial centre. The Federal Council will position the Swiss financial centre as a global leader in exploiting the potential of digital technology in the area of sustainable finance (green fintech).
9. Combating financial crime

Money laundering and terrorism financing
The Federal Council greatly values the integrity of the financial centre and has made huge efforts in recent years to identify risks early and improve the mechanism for combating money laundering and terrorist financing. This includes that the relevant international standards are being implemented in national legislation in an efficient and tailored manner. The Federal Council views an effective mechanism for combating financial crime as a prerequisite for the good reputation and sustainable success of a world-leading financial centre. At international level within the FATF, the FDF advocates effective and appropriate solutions, as well as globally harmonised implementation of standards, for example as regards the revision of recommendations on transparency and identifying the beneficial owner in the case of legal entities. The Federal Council will examine whether additional measures may be needed owing to new developments in Switzerland, and involves Parliament and interested groups at an early stage.

Illegal financial flows
The Federal Council is committed to ensuring that causes of illegal financial flows (drugs trade, terrorism, corruption, tax evasion and money laundering) can be effectively combated. In the international debate on illegal financial flows, it advocates appropriate and globally balanced solutions. The FDF, together with the competent offices, coordinates the measures at international level, thereby ensuring the integrity and competitiveness of the financial centre. The FDF maintains its commitment in matters regarding international tax administrative assistance and examines the option of automatic exchange of information (AEIO) with other states and territories that meet the criteria of the global AEIO standard, and particularly with emerging market and developing countries. The Federal Council is committed to repatriating illegally obtained assets and ensures effective international cooperation among judicial authorities. Where there are illegal financial flows which threaten Switzerland's integrity as a financial centre and tax location, the Federal Council raises this for discussion, both bilaterally and within international bodies. As part of technical assistance, Switzerland assists affected states in strengthening their institutions to combat illegal financial flows.

Cyber-risks
The FDF supports financial service providers and the competent authorities with regard to prevention, incident management and improving resilience to cyber-risks. In addition, it is setting up a cybersecurity crisis organisation to deal with cyber-risks in the financial sector, and ensures close cooperation with the National Cybersecurity Centre (NCSC). This supports the industry in developing stable and secure electronic payment systems and value storage systems.
Endnotes


5 FINMA (2020): Insurers’ report (in German and French only). versichererreport.finma.ch


9 Swiss National Bank (2020): Balance of payments and international investment position. https://data.snb.ch > Table selection > International economic affairs > Current account > Year

10 Swiss National Bank (2020): Swiss direct investment abroad – by type of capital and by economic activity. https://data.snb.ch > Table selection > Switzerland's foreign economic affairs > Direct investment > Swiss direct investment abroad


13 Separate data on cases in the financial sector is not available; see Federal Statistical Office (2020): Criminal offences registered by the police according to the Swiss Criminal Code by canton, level of completion and level of detection. www.bfs.admin.ch > Look for statistics > Crime and criminal justice > Police > Further information > Data
