

## Review and Outlook

The year under review was marked by a novelty: from March 2020 the banking sector was remotely controlled from the home front, and it continued to function as usual. Video conferencing replaced long journeys and reduced personal contact to an absolute minimum. After the initial challenges, people accustomed themselves to the new situation – and have since been yearning for the "old world". In the regulatory field, work continued on many projects, albeit at a slower pace, but for a long time work on many dossiers of importance to the financial centre was at a standstill.

The Association offered its members new forms of interaction. For those working groups used to informal exchanges in the framework of personal meetings, the change to video conferencing was and is not always easy. On the other hand, participants appreciate the video conferencing presentations as they offer rapid and easy access to relevant information and the possibility of exchanging views with colleagues in other financial centres.

In addition to dealing with the effects of the pandemic, the Association continued to focus in depth on those issues identified as priorities by the Board.

"È importante avere un referente con il quale si possa parlare liberamente e che funga da collegamento con le autorità federali. È inoltre importante la funzione che svolge per tenerci sempre aggiornati sulle nuove tematiche e di trait-d'union tra i membri dell'associazione." Ivan Mattei, Deputy General Manager, Banca Zarattini & Co.

## Cyber Resilience

One of these priorities is information security. This is a subject which has increased in significance on account of the pandemic and the absence of personal contact. Cyber criminals are exploiting the current situation and, using private LAN-networks, social engineering and other methods, are trying to infiltrate the corporate networks of the banks. Institutions are thereby being prompted to strengthen their own defences by making technological adaptations and training staff in risk awareness and attentiveness. The wide degree of interconnectedness among financial institutions means that the strengthening of protective measures must be seen as a collective task – the weakest link determines the strength of the whole chain.

For several years now reinforcing information security has been a key issue for the foreign banks in Switzerland, quite independent of the exceptional situation caused by the pandemic. In the year under review the Association was able to take a significant step forward in attaining its goal of fully integrating the foreign banks into the Swiss architecture of a cyber-supervisory regime. The Swiss Financial Services Information Sharing and Analysis Center (FS-ISAC) is under construction. The foreign banks are to be fully integrated both at the development stage and also with ongoing operations. In November 2020 the Association's Board discussed this issue with the Federal Cyber Security Delegate and explained the motivation behind its approach. The foreign banks share FINMA's view and regard cyber resilience as a system-critical challenge which can only be met with a network that includes all the parties concerned.

The road to achieving this goal was a long one. In her speech to the Association's 2018 Annual General Meeting, the then Vice-President of the AFBS already then underlined the vital importance of tackling this issue shoulder to shoulder. Just like all other actors in the Swiss financial centre, the foreign banks should be integrated into the information flow in order to share in the resilience of the financial centre's infrastructure and to continue playing a

role in strengthening it. However, the Swiss information platform existing at the time was not accessible to foreign-controlled institutions. During the course of 2018 the Association worked together with SIX. In its role as a financial services infrastructure provider, SIX was at the time engaged in a project to establish a Cyber Security Hub for the financial services industry. This Hub continues to function to this day as a valuable information broker amongst a group of financial institutions. It runs on the principle that every participant can – and must – make a contribution to security because each participant also represents a potential threat if it cannot adequately protect itself.

Following a test phase at the end of 2021, the FS-ISAC should be fully operational at the beginning of 2022. Ongoing adjustments will be necessary; the network will have to be built up and expanded, and the flow of information will have to be clarified. Thanks to their representation on the Steering Committee the foreign banks have the possibility to participate in this work.

## Sustainable Investments

The subject of sustainable investments remains another priority for the Association's Board. Banks play a key role here in their position as intermediaries for financial flows and the Association's Board was briefed about the various initiatives underway at national and international level. The Board is working to keep member banks up to date on developments so they can make their individual contributions in Switzerland to implement the sustainability goals for the financial sector agreed at the UN Climate Change Conference in Paris.

In its meeting of September 2020, that is just over a year following the first conference on this subject at the 2019 Annual General Meeting, the Association's Board received representatives of the Swiss Bankers Association, Sustainable Finance Geneva, and the foreign banks in the relevant committees. The Board could take note of the progress of various initiatives and get an insight into how foreign banks could play a role here in the Swiss financial sector. The discussions helped to define the role of the Association as observer and informant to its member banks as they implement sustainability targets in the financial sector.

"L'année 2020 a rappelé à tous l'utilité fondamentale d'un secteur bancaire sain en période de crise: rester au plus près des attentes de nos clients, dans les bons comme les mauvais moments, en s'appuyant notamment sur l'ABES pour assurer un relais efficace et cohérent avec les Autorités". Thibault Reversé, Directeur Général, Crédit Agricole next bank (Suisse) SA.

In February 2021, the Board had a meeting with Patrick Odier who indicated how the foreign banks could participate in events organised by the Building Bridges Summit in Geneva. Not only the foreign banks in Switzerland, but above all also the expertise they can bring from abroad, are welcome and could significantly contribute to augmenting the international positioning of the event. The Association forwarded this information to its member banks which can now take this opportunity to insert their specialised knowledge into this project. In addition, inputs from their parent companies or foreign group companies would be welcome. The goal of Building Bridges is to establish itself as the leading internationally-recognised event in the field of sustainable investments. Its location in Geneva should help to build bridges between the world of finance and humanitarian and social organisations from UN circles and continually expand and deepen the network. This is the foundation for a "Sustainable Investments" centre of competence in Geneva from where it could radiate its expertise globally.

## Cloud Services

During the year under review the Association continued to deal with technological developments in the field of data storage and data processing. The "Swiss Cloud" also came up for discussion, but only for a short time. The majority of foreign banks in Switzerland belong to a globally active group. These groups independently attempt to shape their internal processes as efficiently as possible with a view to affording data security and continuity of services. The infrastructure and processes required for this are complex, laborious, and costly. A growing number of institutions have opted for a cloud-based solution, although at different speeds. A big advantage of a "cloud" is that data sets are created once, they can be stored centrally, and they are accessible to different business units across different markets. This avoids the problem of redundancy and its accompanying complexity and it simplifies processes, also vis-à-vis clients. However, this approach also involves the cross-border transfer and processing of

data. For the Swiss business unit of a globally active group this means finding solutions which are compatible with Switzerland's legal provisions governing confidentiality.

The Association examined the topic in more detail with its members at several round-table discussions as well as at a series of conferences. The foreign banks discussed with experts how cloud services should be set up, what legal issues should be considered in their use, and how clients and other business partners should be informed.

Interest in the Swiss Cloud has decreased. People have become aware that a "cloud" can only develop its full potential when it operates on a cross-border basis. The challenge lies in understanding how the processes and the usage rights are to be defined and how the data of clients and firms in Switzerland, while protected by Switzerland's strict legislation, could at the same time be accessible via the cloud.

The topic addressed next contributed significantly to a change of mind regarding the above. The decisive factor was not free will, but rather the lack of alternatives.

## COVID19

The entire year under review was characterised, if not overshadowed, by the impact of the coronavirus pandemic. In

"Auch im Ausnahmejahr 2020 war der Auslandsbankenverband für die BTV Vier Länder Bank – insbesondere bei der Abstimmung für unsere Teilnahme am Covid19-Finanzierungsprogramm des Schweizer Bundesrates – ein wichtiger und wertvoller Inputgeber und Partner! Wir danken dem AFBS herzlich für den Einsatz im Sinne der Schweizer Auslandsbanken!"  
Markus Scherer, Leiter Mark Schweiz, Bank für Tirol und Vorarlberg AG  
Innsbruck, Zweigniederlassung Staad.

the spring the Federal Council adopted a raft of restrictive measures in order to contain the pandemic. And as summer arrived, people were reluctant to meet one-to-one or in groups. This meant new working practices for the Association, and it looks as though many of them will remain in place even after the pandemic.

The banking and financial sector discovered that the office is not the only place from where daily work can be conducted. Work from Home has become a new standard which the banks rapidly adopted. The Association, working together with 25 member institutions and a labour law specialist, drew up model texts for internal guidelines. This initiative came about following demands from member institutions which, in the course of the summer, became increasingly aware that their employees would expect them

to offer the possibility of continuing to work from home – at least partially – after the pandemic.

While the experiences are largely positive, several challenges remain, for example concerning client acquisition and the setting up of a Work from Home infrastructure for employees domiciled abroad. While tax rules applicable to such situations have indeed been temporarily suspended, a lasting solution also requires clarification of regulatory issues regarding the provision of financial services, with special attention being given to aspects of data protection and cyber security.

## AFBS 2020 and beyond

Following the handover in January 2020, the Association's new team at the Secretariat got to work on sounding out members about their wishes and concerns with regards to the future orientation of the Association and the contents of its work in view of aligning the Association's activities with the newly-identified needs. Many discussions were held with representatives of member institutions, both in person and by video conference. They gave rise to interesting ideas and suggestions which the Secretariat is now processing. Much will remain as before as in many areas needs already appear to be well catered for. A few innovations, above all in connection with the application of new technology in interaction, should improve the flow of information and facilitate contact among members. The Board and the office plan to take the next steps with regards to implementation during the second half of 2021.

## Association activities and particulars

In spite of unexpected challenges from the spring of 2020, the Association was able to pursue its activities successfully during the year under review. The Annual General Meeting was conducted by mail, in line with the Federal Council's recommendation, with no adverse effect on the level of participation. Even in this new working environment the Association regularly kept its members up to date. After a short acclimatisation phase, video conferencing proved to be an efficient channel for presentations and also for working groups. During the year under review some 80 events were held through which members could obtain information on topical issues and exchange views (a list can be found in the "Activities" chapter). The situation also offered new possibilities: several events included speakers from abroad, and participants from members' foreign group companies could also join in. Several complex issues were dealt with in a series of conferences while individual aspects could be discussed in mini-meetings. In addition, events dealing with more "exotic" subjects could be held, when a smaller number of participants met and exchanged views.

After an initial running-in period this new way of working together established itself – both speakers and their audiences appreciate no longer having to physically travel to every event as they are now able to participate and exchange views from a distance. On the other hand, everyone is also longing for the time when personal contact and informal discussions will again be possible. In the future the Association will offer both formats. Personal contact and informal meetings are still important for an open exchange of views amongst members as well as with other parties. The key will be to find the right combination.

Meetings between the Board and institutions of the financial centre were still held, despite the pandemic. The meeting with the State Secretariat for International Finance SIF covered not only the impact of the pandemic but also developments in bilateral relations and market access. The Federal Cybersecurity Delegate acknowledged the request of the foreign banks to be fully linked to the national security system. The focus of the meeting with the Swiss National Bank's Governing Board was on developments in the field of digitalisation of financial services. The subject of digitalisation, including the first integrated digital trading platform SDX Swiss Digital Exchange, was once again the focus of the meeting with the SIX Group. The meeting with the FINMA was postponed until autumn and will hopefully take place in person. Besides the issue of sustainability in the financial sector, the agenda also included issues connected with digitalisation and the crossborder flow of data.

The Association's 48<sup>th</sup> Ordinary Annual General Meeting held on 12 June 2020 elected Daniel Belfer, Bank J. Safra Sarasin AG, und Elzbieta Czetwertynska, Citibank (Switzerland) AG, as new members of the Board and confirmed the mandates of Heinrich Henckel, LGT Bank (Schweiz) AG and Mauro De Stefani, Banca Popolare di Sondrio (Suisse) SA. In addition to the resignation of Claudio de Sanctis, which took place shortly after his election, the retirement of Markus Affolter was also noted.

The following changes in financial centre committees are recorded: Garrick Dean Smith, BNP PARIBAS SECURITIES SERVICES, is the Association's new representative on the SIX Regulatory Board. Jan Amrit Poser, Bank J. Safra Sarasin AG, represents the Association on the Swiss Bankers Association's Expert Committee on Sustainable Finance as well as on FINMA's panel on the same subject, while Danny Wemmenhove, F. Van Lanschot Bankiers (Schweiz) AG, joins the Sustainable Finance Working Group. Marc Dubach, Goldman Sachs Bank AG, is representing the Association on the SBA's committees dealing with the establishment of the National Cybersecurity Center and Raoul Würigler has joined the Steering Committee of the FS-ISAC. Oliver Wittwer, LGT Bank (Schweiz) AG, takes over from Konrad Häuptli as the Association's representative on the Confederation's Tax Committees dealing with CRS and FATCA. Camillo Zbinden, Société Générale, Mark Bjertnes, Citibank (Switzerland) AG, and Julie Zurbriggen, HSBC Private Bank (Suisse) SA, represent the Association in the Federal Working Group on the Identification and Restitution of Illicit Assets. A list of all working groups and the corresponding representative of the Association is available on the Association's website.

Finally, we would like to take this opportunity to thank everyone who has supported our work and promoted the interests of the foreign banks and our Association.

Zurich, May 2021