



## **Joint Scottish-Swiss Financial Services Reception**

**Sponsored by Telekurs Financial**

**Hosted by Scottish Financial Enterprise and the Swiss Embassy**

**Wednesday 20 September 2006**

**The Royal Scots Club, 30 Abercromby Place, Edinburgh**

### **Speech given by Dr Urs Roth, Chief Executive Officer, Swiss Bankers Association**

Your Excellency, ladies and gentlemen,

It's a great honour for the Swiss Bankers Association to be involved in the programme of events connected with the opening of the Swiss Consulate-General in Edinburgh earlier this year. The presence of the Consulate-General is a sure sign of Switzerland's recognition of the increasing political, economic and cultural importance of Scotland since devolution. I must also say that it's a great personal honour and pleasure for me to attend this Scottish – Swiss Financial Round Table and to have the opportunity to make a few introductory remarks.

First of all I would like to sincerely thank Amanda Harvie and Scottish Financial Enterprise, and also Ambassador Alexis Lautenberg and his staff at the Swiss Embassy in London, for their initiative and work in bringing this Round Table about. The Swiss Bankers Association firmly believes in dialogue between international financial centres and we regularly visit destinations such as the UK, the US, Germany, Brussels, Paris, Hong Kong, Singapore and most recently Beijing and Shanghai for talks with our professional counterparts, regulatory authorities and international organisations on issues of interest and concern to the Swiss financial services industry. Today we start a dialogue with our Scottish professional colleagues and I would like to thank everyone in advance for their interest and enthusiasm in keeping this dialogue going.

What, you might ask, could possibly link the financial services industries of Scotland and Switzerland? Well, let's start with the friendship between John Calvin and John Knox ("Nox") in Geneva in the middle of the 16<sup>th</sup> century. Calvinism set the stage for the later development of capitalism in northern Europe by changing medieval attitudes towards interest and profits, and the movement found a Scottish champion in the person of John Knox. And what do we see today? Scottish and Swiss bankers who are recognised internationally by their zeal for hard work and their preference for an ascetic lifestyle, notwithstanding the occasional round of golf. I'm sure both Calvin and Knox would approve.

But seriously, Scotland and Switzerland both have dynamic and ambitious financial services industries that are important pillars of our respective countries' economies, generating substantial GDP and employing very similar numbers of people. A comparison of the missions of Scottish Financial Enterprise and the Swiss Bankers Association is very revealing. Both our professional associations are constantly seeking to develop the infrastructure and the supply of skills for the benefit of our respective industries. We both support innovation and we both seek to promote international awareness of the strengths of our respective financial centres. We are both in constant discussion with our regulators in order to ensure effective regulation while avoiding over-regulation. We are both in competition not only with each other but with other international financial centres as we all seek to maintain and preferably gain market share in our corresponding specialities such as banking, brokerage services, investment and asset management.

I don't want to be drawn into a discussion on Calvin's belief in predestination, but it's my belief that no international financial centre is predestined for success. We have to work hard to maintain our competitive advantages, to stay ahead of the competition and of course to try and predict our clients' future needs.

I'm sure that here in Scotland you have not been spared from the phenomenon of over-regulation and the ever-increasing costs of compliance. In Switzerland we keep a beady eye on forthcoming banking legislation and regulation and we've been encouraging the authorities to take more of a cost-benefit approach to regulation to ensure the costs of any new regulation are convincingly justified by the benefits. This is one area where we could swap notes.

Internationally, we have been challenging the bureaucratic mania for harmonised and identical regulation by championing the concept of "equivalence". We have a vested interest here because we do not want our financial services industry to be denied access to international markets such as the EU or the US on the grounds that our regulatory standards are not identical with theirs and might therefore be labelled "inferior".

By “equivalence” I mean that we have the same genesis of regulation, for example Basel Committee or IOSCO standards; that we have very similar regulatory goals and approaches; that our regulation has very similar scope and area of application; that we have similar enforcement; and that we have a strong track-record of regulation and supervision proving they are stable and trustworthy.

As far as the regulation of equities and equity derivatives are concerned, we have just gone through an exercise of comparing Swiss regulation with that of the US, the EU and four major EU member states, including the UK. This comparative study was carried out by renowned UK and Swiss law firms. The conclusion was that Swiss regulations are by and large equivalent. Switzerland will also be joining the EU–US Coalition on Financial Markets Regulation which, amongst other bodies, includes the British Bankers Association and the Futures and Options Association.

This idea of “equivalence” in financial markets regulation is another area where we could exchange views.

I hope this brief tour d’horizon of Swiss-Scottish financial interdependencies over the last 450 years will stimulate further discussion tonight. I certainly look forward to it.

Your Excellency, Ladies and Gentlemen, thank you very much for your attention and I wish you all a very interesting evening.