

Drivers III: market access, digitalisation and artificial intelligence

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The access of Swiss banks to the European Union market is a structural weakness of the Swiss financial centre. Since Switzerland is not a member of the European Economic Area, its bilateral agreements with the EU have never included a general agreement on financial services. Swiss banks can therefore serve clients in the EU only within the limits set by each Member State's rules for third-country institutions or through subsidiaries within the EU.¹ The European equivalence regime under the Markets in Financial Instruments Regulation has not been granted to Switzerland for cross-border services to professional clients. The EU's refusal in 2019 to extend the equivalence of Swiss stock exchanges, answered by Switzerland with a protective measure, showed how quickly financial market access can become a bargaining chip in a wider political relationship.²

The tightening of the rules on third-country branches in the European banking legislation adopted in 2024 has added to the pressure. Under the revised Capital Requirements Directive, Member States must generally require third-country banks to establish a branch for core banking services provided in the EU, subject to transitional provisions and certain exemptions.³ Bilateral arrangements with individual Member States, such as the German practice of exempting Swiss banks from a licence for certain cross-border services, have provided partial relief. The package of agreements with the EU concluded politically in December 2024 does not include a financial services agreement. Chapter IV of this Part examines the package, its ratification and its possible effects on the financial centre.⁴

Digitalisation and tokenisation form the second element of this driver. Chapter I of this Part described the projects of the BIS Innovation Hub, the Swiss legislation on distributed ledger technology and the emergence of tokenised financial instruments. For the banking model, the key question is whether tokenisation will reduce the importance of the traditional

custodian bank or create new functions for it. Swiss banks have experimented with tokenised bonds, funds and structured products, and SIX Digital Exchange has provided a regulated infrastructure for such instruments.⁵ The author, whose practice includes a large number of mandates involving crypto-assets and digital assets, regards the integration of such assets into ordinary wealth management as one of the clearest structural trends of the decade.

Artificial intelligence is the third element, which Chapter V of this Part treats in detail. For wealth management, its effects are likely to be felt first in the middle and back office, in compliance, documentation and client reporting, and only later in the advisory relationship itself. Its potential to reduce costs could ease the margin pressure described above, especially for mid-sized banks that cannot afford large compliance departments.⁶ The same technology also lowers the barriers to entry for new competitors and could make advice that relies on standard investment products a commodity.

1 Notes

1. On the absence of a financial services agreement between Switzerland and the EU and the resulting dependence of Swiss banks on national third-country regimes and EU subsidiaries, see Part E, Chapter II, and the publications of the State Secretariat for International Finance. To be verified. ↩
2. On the expiry of the EU's stock exchange equivalence for Switzerland at the end of June 2019 and the Swiss protective measure under the ordinance of November 2018, and on Art. 46 ff. MiFIR (third-country regime), see the publications of the Federal Department of Finance and the European Commission. To be verified. ↩
3. On Art. 21c of Directive 2013/36/EU as amended by Directive (EU) 2024/1619 (CRD VI), requiring third-country undertakings to establish a branch for core banking services, its exemptions (including reverse solicitation and certain interbank services) and its application from 2027, see the Official Journal of the EU. Dates and scope to be verified. ↩
4. On the bilateral arrangements between Switzerland and Germany on cross-border financial services (BaFin exemption procedure) and the absence of financial services from the Switzerland–EU package of December 2024, see Part K, Chapter IV, and the publications of the State Secretariat for International Finance and BaFin. Status to be verified. ↩

5. On the Swiss DLT legislation (Federal Act on the Adaptation of Federal Law to Developments in Distributed Ledger Technology of 25 September 2020, in force in stages in 2021), SIX Digital Exchange and the tokenisation projects of Swiss banks, see Part K, Chapter I. Status to be verified. ↩
6. On the use of artificial intelligence in Swiss banking and FINMA's supervisory expectations (FINMA Guidance 08/2024 on governance and risk management when using artificial intelligence), see Part K, Chapter V, and the publications of FINMA. Status to be verified. ↩

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