

The logic of consolidation

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The consolidation of the Geneva sector follows a simple economic logic: the fixed costs of compliance, technology and governance impose a minimum size, below which an institution can no longer generate sufficient profitability. Institutions that fall short of this size have three options: to grow, to combine or to transform themselves.

Organic growth is difficult in a mature market, where acquiring new clients is expensive and experienced relationship managers are scarce. It often depends on recruiting teams of managers from other institutions, together with their clients, which fuels an upward spiral in salaries.

Combination takes the form of mergers between institutions of comparable size, or of acquisitions by larger groups. Acquirers look for assets under management, teams of managers and complementary client bases. They must manage the integration of systems, the retention of clients and staff, and the legal risks inherited from the acquired institution, in particular those connected with past tax compliance.

Transformation consists, for a banking institution, in surrendering its banking licence in order to become an independent wealth manager, subject to a lighter regime, and depositing its clients' assets with a custodian bank. This option, chosen by several small banks, reduces regulatory costs while preserving the relationship with clients.

The result of these movements is a more concentrated landscape, in which a few large international groups coexist with specialised medium-sized institutions, subsidiaries of foreign groups and a large number of independent managers. The decline in the number of banks, from 121 in 2014 to 80 in 2024, has been accompanied by a more moderate fall in banking employment, from 19,415 to 17,639, which reflects the concentration of activities in larger institutions.¹

1 Notes

1. Allnews, 21 October 2024, citing the director and the chairman of the Fondation Genève Place Financière. ↩

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