

The role of the banks in location decisions

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A trader sets up where it can obtain financing. The presence in Geneva of the financing cluster described in Chapter IV is the centre's first argument. The withdrawal of several banks from commodity trade finance since 2020 was perceived as a more serious threat than tax competition from Dubai. The banks, for their part, are more willing to finance traders established in Geneva, whose managers, auditors and authorities they know, than those established in jurisdictions where compliance is uncertain. The shift of activities to a Gulf free zone is therefore accompanied by a change of financiers, the groups concerned having opened or strengthened offices there since 2022.¹

This interdependence explains Geneva's resilience. As long as the financing cluster remains in Geneva, the traders remain there too, at least for their core functions. If the financing were to leave, they would follow it. The centre's policy towards commodity trading must therefore focus first on financing: the framework conditions for the banks, attractiveness for new financiers, legal certainty for security interests and documents, and the training of specialists. Part H devotes its first chapter to this subject.

1 Notes

1. Public Eye, “Négoce de pétrole russe : Dubaï sort le grand jeu pour évincer la Suisse” (Russian oil trading: Dubai pulls out all the stops to oust Switzerland), 16 November 2023: from January to July 2023, companies registered in Dubai’s free zones acquired more than half of the volumes exported from the four major Russian ports, for some USD 14 billion; Litasco, Gunvor, Vitol and Trafigura opened or strengthened offices there, Litasco transferring around a hundred employees; the number of Swiss companies registered with the Dubai Multi Commodities Centre grew by 30% in two years, whereas 50 to 60% of Russian crude had been traded in Switzerland before the invasion of Ukraine. ↩

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Online version: helveticaregister.com/geneva-the-role-of-the-banks-in-location-decisions