

The European dimension

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For a financial centre whose clients are mainly in the European Union, European law on sustainable finance matters as much as Swiss law. The Sustainable Finance Disclosure Regulation (SFDR), Regulation (EU) 2019/2088, applies to financial market participants in the Union and has shaped the product range of European asset managers since 2021.¹ Swiss banks and asset managers do not fall under it directly when they serve clients from Switzerland, but they distribute European funds, compete with European providers and serve clients who compare products on the basis of the European categories. On 20 November 2025 the European Commission proposed a fundamental revision. The proposal replaces the disclosure-based approach of the present Articles 8 and 9 with three product categories: a transition category, a sustainable category and an ESG basics category. The first two require at least 70 per cent of investments to meet the category's objective, all three are subject to exclusions in line with ESMA's guidelines on fund names, and entity-level reporting of principal adverse impacts is limited to the largest firms. The new regime would apply eighteen months after entry into force.²

For Lugano the European revision has two consequences. It simplifies the comparison of products for Italian clients and for Swiss asset managers who select European funds. It also creates a reference that Swiss regulation may follow, since the Federal Council has said that it monitors developments in the Union. A Lugano asset manager who wants to offer sustainable mandates to Italian clients will have to explain the relation between the Swiss Climate Scores, the self-regulation of the Swiss industry and the European categories, a task that requires specialized knowledge.

Common misconception. Sustainable finance is sometimes regarded as a marketing topic for large institutions that has little relevance for small private banks and independent asset managers. FINMA Circular 2026/1 binds every bank from 2027 at the latest, the self-regulation of the Swiss

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Bankers Association and the asset management associations governs sustainability advice, and Italian clients compare products on the basis of the European categories. Even a small firm needs a documented approach.

1 Opportunity or burden

Whether sustainable finance becomes an opportunity for Lugano depends on the response of the industry. The heirs described above show greater interest in sustainable investments than their parents, and wealthy families increasingly use philanthropy and impact investments as part of their succession planning. Lugano could develop expertise in these areas, building on the universities and on the proximity of Milan, which has a large community of sustainable finance professionals. The alternative is a defensive implementation that treats the rules as a compliance burden. In that case the larger institutions in Zurich, Geneva and Milan will capture the business, and Lugano will bear the costs without the revenue. The scenarios below treat sustainable finance as one of the areas in which specialization can make a difference.

2 Notes

1. Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, OJ L 317, 9 December 2019, 1, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019R2088>, Art. 20 (application from 10 March 2021; certain provisions from 29 December 2019 and Art. 11(1) to (3) from 1 January 2022). ↩
2. Arthur Cox, "SFDR Reform Proposal – Key Changes", 21 November 2025, <https://www.arthurcox.com/insights/sfdr-reform-proposal-key-changes/>. ↩

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