The new head of the Finance Department must continue the work of her predecessor in the interests of the Swiss financial center. Does she have the caliber the mettle to do so?

Following the resignation of Ueli Maurer, Switzerland's Finance Department remains in conservative hands. Karin Keller-Sutter is a federal councilor who has distinguished herself in the past not only by her ability to manage her remits but also by her keen sense of public sentiment and a healthy dose of an instinct for power.

Whether it was a clever move by the four representatives of the FDP and SVP, or whether sober judgment led to her appointment, is likely to emerge sooner rather than later from the political chatter in Bern. Ultimately though, it is irrelevant how her appointment came about. What matters for Switzerland is what she wants to achieve in the Federal Department of Finance (FDF).
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Weighty Legacy

Keller-Sutter's predecessor set the bar very high. Like few finance ministers before him, Maurer cultivated deep relations with the financial industry. Those contacts proved worth their weight in gold, particularly during crisis. This was demonstrated, during the Corona pandemic, when Maurer quickly implemented an aid package in cooperation with the banks. He also received much praise for this from abroad.

Maurer's time in office was marked by an openness to forward-looking areas in banking. In the report «Financial Market Policy for a Competitive Swiss Financial Center,» published in 2016, it became clear that the Federal Council attached as much importance to financial innovations as to traditional banks and their systemic risks.

Integrating Broad Interests

The well-connected new finance minister can certainly be expected to work with the same verve for a competitive Swiss financial industry and nurture good relations with the important players.

In any case, there is a lot to tackle, as finews.com reported. For the entire financial sector, including insurers, the forecasts do not look particularly rosy. According to a study by BAK Economics, the sector will be neither a driver of growth nor a job creation machine.

Threats From Abroad

It also will not be any easier for asset management, the crown jewel of Swiss banking, to export its services abroad. Since the failed framework agreement with the EU, a new ice age has set in, although the Swiss financial industry is still hoping for unhindered market access.

At the moment, the biggest threat is likely to come from a capital market reform in the EU. If the hardliners get their way, servicing clients from the EU by Swiss banking institutions without a branch could come to a halt in 2025.

A Flood of Domestic Legislation

Of course, there are many balls up in the air at home. Since environmental and social criteria as well as good corporate governance made their way into the corporate world, the pressure on the financial sector to meet these requirements for investment advice is increasing.
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Unlike the EU, the Swiss financial center is relying more on self-regulation to promote sustainable investments. The new head of the department would be well advised to listen to all the players on these issues and to favor the industry's self-responsibility over official regulation.