

## **Philipp Hildebrand: Setting the course for the Swiss economy – challenges for the Swiss financial centre and outlook for the future**

Summary of a speech by Mr Philipp Hildebrand, Chairman of the Governing Board of the Swiss National Bank, to the Zürcher Volkswirtschaftliche Gesellschaft, Zurich, 17 May 2010.

*The complete speech can be found in German on the Swiss National Bank's website ([www.snb.ch](http://www.snb.ch)).*

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The Swiss banks face two major challenges. First, sooner or later, they will have to carry out their core business – asset management for foreign customers – in a tax-conform environment. Second, the big banks will be required to operate under more stringent regulatory requirements. These challenges are likely to lead to structural changes in the financial centre. How are such changes likely to affect the Swiss economy? An empirical analysis shows that, although the financial centre plays an important role in the Swiss economy, it also entails considerable risks. In the case of cross-border asset management, the relationship between the risk to the economy and the income earned is acceptable. However, this is hardly the case for the banks' own trading activities. Consequently, current regulatory efforts could not only improve the stability of the financial sector, but also increase both the profitability of banks and the benefit which the Swiss economy derives from the financial sector over the long-term period. Meanwhile, it is of key importance, not just for the financial centre but for Switzerland as a whole, that an acceptable solution be found for the taxation of foreign bank deposits.