54th AFBS Report of the Board EN

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Review of Association activities during the year under review, in EN

54th Report of the Board

Executive Summary

In 2025 the Association of Foreign Banks in Switzerland AFBS successfully intensified its public relations work in order to increase awareness of the role played by the foreign banks in Switzerland as a financial centre and business hub. Meetings with journalists as well as with government officials and politicians at national and cantonal level played an important role here. Cooperation with umbrella organisations such as the Swiss Bankers' Association was instrumental in defining common positions and promoting them in a coordinated manner. At the international level, AFBS worked to enhance the strength of the financial centre and navigated its way through new regulatory challenges such as the EU's Capital Requirements Directive 6 (CRD6), while the Berne Financial Services Agreement with the UK offers new opportunities. In 2026 the Association plans to carry out a comprehensive study on value creation by member institutions.

The foreign banks make up an important component of Switzerland's financial system. They bring in international know-how, they promote innovation, and they support progress in the areas of regulation and digitalisation. AFBS safeguards their interests and ensures that they continue to make a contribution to Switzerland's economy and global interconnectedness. It facilitates exchange and cooperation among members through Roundtables and Working Groups.

Public Relations

2025 was the first full year in which the Association's expanded public relations work was implemented – with tangible success. Thanks to coordinated media appearances, either by the Association's Secretariat or together with member institutions, information about – and awareness of – the foreign banks in Switzerland and their significance for the Swiss financial centre could be provided and promoted. In a media Roundtable devoted to the custody business the Association and individual member institutions explained the operating principles behind this business activity. The event gave an insight into technical aspects and explained how the Swiss financial centre has a big advantage thanks to the presence of many global financial service providers. The subject of regulation in the wake of the UBS-CS case was central to the discussions between a delegation of the Association's Board and the President of the Swiss Confederation, Karin Keller Sutter. There was agreement that this case should not burden small- and medium-sized banks with further complex regulation and that the principle of proportionality should be observed. A dinner with representatives of the National Council's Economic Affairs and Taxation Committee brought representatives of all political parties together with representatives of the Association and provided the

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foreign banks with another opportunity to explain their role and connection with Switzerland as a business and financial location. In addition to the fallout from the UBS-CS case, there was also interest in the foreign banks' contribution to services for domestic Swiss clients – both corporate and private. Association representatives were able to demonstrate how valuable it is for a Swiss company to be able to deal with the Swiss subsidiary of a globally-active banking group as only this group is also present in the target market of its corporate clients and is familiar with local conditions. This makes business dealings easier and substantially reduces risk.

Similar issues were the focus of discussions with cantonal governments in Zurich and Geneva. The meeting in Geneva was the first of its kind and aroused great interest. There was understanding when bank representatives addressed challenges in the areas of public security, transport and housing. The governments in both cantons acknowledge that they are required to uphold the attractiveness of their respective locations as business centres and that it is not an issue of competition between Geneva and Zurich but between Switzerland and other countries. The strength of Switzerland's currency is attractive for clients seeking security and stability but puts a burden upon international firms doing business in the country.

The Association is also active on social media, in particular LinkedIn, where it informs about its own activities and also reports news from its circle of members. The marked organic growth of the AFBS profile and the lively user participation is evidence of the interest in the Association and in the foreign banks in Switzerland.

The Association's Board has decided to carry out a study of the Swiss financial centre in 2026. There is interest in finding out how the foreign banks perceive the local financial centre, which locational factors are seen as crucial, and how much value creation and other contributions are made by the approximately 90 member institutions in Switzerland. The goal is to obtain more facts about the position of the foreign banks in Switzerland than have hitherto been available. Ideally the study should be repeated regularly so a time series can reveal how the financial centre’s attractiveness evolves over time and whether any changes are correlated with specific measures.

The Association’s internal organisation of its communications work has been consolidated. A group consisting of nearly 20 experts from member banks meets regularly so they can be informed about the Association's activities and further measures can be coordinated. Also, within this framework communication concerning the business activities of individual members of the Association can be aligned with the dissemination of existing communications measures.

International Financial Centre

In the year under review AFBS also participated in a wide range of measures to strengthen the positioning of the Swiss financial centre in an international context. The Association took part in the initiative of the Swiss Bankers' Association (SBA) to revive public relations work at the international level. With regards to activities in the USA, member banks of our Association acted on site and gave access to their own networks, opened doors and facilitated contacts. The same happened in the three other focus regions of the SBA: the Middle- and Near-East; Europe; and China, Hong Kong and Singapore. Through its members AFBS is in a position to employ one of its core strengths, namely local knowledge thanks to its members' global representation. Of course, not all banking groups are at home everywhere, but together they create a network which covers all markets, which has access to local information and which is familiar with the local culture. Frequent exchanges thus take place among AFBS representatives and between AFBS and SBA and initiatives can be supported, insights into local conditions given, on-site contacts facilitated and activities supported.

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During the year under review, a small group of member banks dealt with the issue of market access in the EU. The EU's Credit Risk Directive CRD6 directive plans to make core banking services available solely through a local presence. This will affect Swiss subsidiaries of international banking groups which provide financial streaming for enterprises in the EU and therefore make a considerable contribution to the EU's economic performance. The plan is to rule this out in the future; by centralising the relationship management in its regulatory jurisdiction the EU hopes to increase predictability and stabilise the risk exposure of its banks. The affected banks in Switzerland are in contact with their parent companies and with the regulatory authorities in their home countries; at the same time the AFBS is in contact with the State Secretariat for International Finance (SIF) and with domestic interest groups. Even if CRD6 makes an exception for services under MiFID the restrictions on core banking services will be drastic.

Member banks which have a specific interest in the German market have, together with Swiss and German law firms, worked out a common understanding of the implementation of CRD6 in Germany. They were able to provide some clarity with regards to the modalities of how to continue seeking exemptions. It is clear that it will not be possible to offer financial services to the same extent as in the past, but the regulation nevertheless offers significant business opportunities for the banks in the future.

Those banks serving the Italian market are also weighing up the situation; the requirement to have a local presence is a great organisational challenge to those banks which are already locally represented via their group or which, because of their smaller structure, have limited resources at their disposal. The Association is in contact with its members and coordinates regular meetings including experts from the respective target markets so that those banks affected can keep up with developments and exchange views.

While the EU market increasingly shields itself from financial service providers from third countries, other markets are following alternative strategies. Many examples show that Switzerland has always held its frontiers open, for example the liberal regime with regards to client advisors from third countries who, after registering, can be active here. Further evidence of this openness can be found in the Berne Financial Services Agreement (BFSA) which Switzerland concluded with the UK and which has been in effect since 1 January 2026. Companies which have been authorised to operate in one jurisdiction may, after registration, also offer their services in the other. This makes the provision of cross border financial services significantly easier between these two financial centres and offers substantial advantages to the financial institutions. Those institutions that are physically present in only one of the markets have free access to the other market; and those that are present in both markets can transfer competences they have in one market to the other.

The increasingly unstable geopolitical situation around the world, with several regional wars underway involving the great powers, has once again led to many international investors turning their attention to Switzerland which offers itself as a refuge of stability and security. Many banks are seeing clients transferring their wealth to Switzerland as they appreciate the country for its status as a safe haven.

National Issues

Work connected with the implementation of the packet of regulatory measures in the aftermath of the UBS-CS case is in full swing. Parliament has suggested that most of the measures be restricted to those banks which are systemically relevant. The Federal Administration envisages a wider scope of application. This has occasioned much discussion in the various banking associations and among our members and has also given rise to questions.

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The foreign banks are interested in knowing what the implications for an individual bank will be as Switzerland adjusts its regulation to match international standards, the introduction of a Senior Manager Regime being one example. Most of the foreign banks are already subject to such provisions via their parent company. It is not clear to what extent the "Swiss Finish" will differ from known international standards and thus require additional adjustments. International banking groups are confronted with a disproportionately large challenge in the shape of complex regulation specific to but differing slightly in each country. Many functions are carried out centrally and according to international standards. Given the average size of the foreign banks, special domestic features, such as those created by a "Swiss Finish", seldom bring added value commensurate with the costs involved. The foreign banks in Switzerland and our Association are closely following developments and will intervene if and when necessary. This has already happened during the pre-consultative phase for the revision of the Liquidity Ordinance. It will be difficult for an internationally active banking group to plan its global liquidity provisions should liquidity requirements be set locally and measures for emergency liquidity planning have to be coordinated locally. The AFBS, together with a group of affected banks, has identified this as a problem and has placed it before SIF for consideration.

At the same time preparations are underway for the next round of FATF mutual evaluations. SIF is coordinating forthcoming interviews with the affected banks while the Federal Administration is pressing ahead with the implementation of the necessary adjustments in the anti-money laundering legislation. The SBA is also involved as it is revising its Due Diligence Agreement, so it conforms with current standards. This involves including digital identification documents and the establishing of identity via electronic means. The adjustments are all within reasonable limits; nevertheless, the banks face a challenge as there is relatively little time for implementing the new regulations given the scheduled deadlines for the mutual evaluations. AFBS is working to provide its members with the best information possible and is providing preliminary drafts so its members can have some idea of the forthcoming adjustments that will be necessary and make the appropriate preparations.

Digitalisation

The topic of digitalisation in the financial centre continues to attract a great deal of attention. Switzerland appears to be losing attraction in certain areas when compared with other financial centres. It is said that the setting for start-up initiatives is no longer as attractive as it was a few years ago.

On the other hand, many projects are underway to prepare processes in various areas - both at national and international level - for the age of Artificial Intelligence (AI). During the year under review members of the Association met several times to discuss developments and the impact of AI on their business. The Group Digital exchanged views on, among other things, the revision of the Financial Institutions Act and the impact the draft will have on their commercial activities. The Group considers the stipulation to set up an independent unit for the issuing of payment tokens to be disproportionate. A bank should be able to continue to offer a complete range of financial services if it fulfils the necessary regulatory requirements. The Group Commodity Trade Finance examined digitalisation of contractual documents used such as bills of lading and letters of credit. Significant progress was made concerning the regulation of digital identification; legislation has been passed and final touches are being made to the ordinance. Unfortunately, the transition periods for the definitive introduction are long; there is, however, light at the end of the tunnel and one can assume that digital identification documents will also be issued and recognised in Switzerland. So what is already standard in many countries could also become standard here. That will be a very important step for Switzerland's heavily internationally interconnected economy.

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Ongoing Business

The implementation of the FINMA Circular Operational Risks continued to keep banks busy in 2025. In addition, the Association itself - but more often in conjunction with SBA - participated in the consultation process for the regulation and legislation and took part in the discussions about adjustments. The Association's internal working groups discussed the issues and prepared position papers which the Association's representatives contributed to the position papers of the SBA. This was the case with position on various issues including digitalisation (E-ID, establishing a business relationship via video), tax issues (changing the FATCA model, introduction of the Crypto-Asset Reporting Framework CARF), ESG (reporting on climate issues), and supervisory law. With regards to the last mentioned, great importance was attached to the discussions of the measures proposed by the Federal Council and Parliament in the aftermath of the UBS-CS case and this led to an intensive exchange of views.

The AFBS Group Commodity Trade Finance Group met twice during the year under review to discuss topical issues. The Group comprises all banks active in this business, including Swiss banks, and provides a welcome forum for an exchange of views and cooperation. The Association slightly restructured its Group Legal & Compliance so that two meetings now take place in Bern and bring together representatives of the large foreign banks to discuss predominantly strategic issues. In addition, the Association's Secretariat organises two meetings in both Zurich and Geneva devoted to legal and compliance issues so that a wider circle of interested specialists from the banks can participate in discussions. The Association is closely following the introduction of the Single Credit Reporting by SNB and FINMA. There was a need for clarity with respect to its scope of application amongst the foreign banks which, because of their international structure, are not in the same situation as Swiss banks and, if need be, require sufficient time for any adjustments that might be necessary. Given the concerns about costs, we welcome the chosen solution whereby only those loans booked in Switzerland are to be reported.

Contacts with Financial Centre Institutions

During the year under review the Association continued and widened its contacts with the Federal Administration and financial infrastructure providers within the usual framework. For the first time a delegation from the Association's Board met with parliamentarians on the one hand and with the President of the Swiss Confederation on the other. Both meetings were very useful and introduced the Association and its members to interested interlocutors. The feedback was very positive, and we intend to continue such meetings within this framework.

As every year the Association's Board held its meeting with representatives of SIX Group and further developed the exchange of views with the Group's Chairman and CEO, who spoke about the Group's current situation and the main challenges it faces. Growth in the EU is important for SIX, and is supported by the AFBS, as connectivity and scaling in this important market are crucial. Current developments forced the SIX Group to rethink its structure and integrate the SDX digital platform into the existing structure; this facilitates further synergies and simplifies the interoperability between the digital and analogue worlds. The foreign banks make up a significant proportion of SIX owners and are some of the most important users of the SIX market infrastructure. It is conceivable that the shareholder structure and governance will have to be reconsidered because of changes in the financial centre. SIX Group has already launched the necessary procedure and the foreign banks, which are important shareholders, will be included in a timely manner.

The meeting with FINMA gave the AFBS delegation the opportunity to draw attention to the uniqueness of the Swiss financial centre. AFBS believes that the large number of smaller, independent financial institutions is an important factor contributing to stability, because the negative impact of a failing institution on the market as a

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whole is kept within limits. Given the large number of other financial institutions, clients have a range of alternatives from which they can obtain the same financial services. The situation, however, becomes more critical in the case of services dependent on financial infrastructure, as only a few banks are in a position to offer them. AFBS accepts that the regulation governing the financial centre must align with international standards and welcomes the avoidance of any "Swiss Finish" as this always gives rise to greater costs. Foreign banks also welcome the technology-neutral approach to regulating new areas of the financial market because it ensures clarity and simplicity. The ability to transfer customer data internationally is becoming increasingly important for foreign banks. On the one hand, because these banks maintain international centres of expertise, centralise oversight, and can thus implement regulatory requirements more efficiently; on the other hand, while customers still place a very high value on confidentiality, they have come to understand that their data is shared internationally in connection with specific matters.

The Board has further strengthened its ties with SECO and discussed the competitive landscape following the UBS-CS transaction during a meeting. SECO found it valuable to hear the views of foreign banks and to discuss the possibility of involving them in services related to the financial centre's infrastructure. Representatives from BAK Economics were also present at the same meeting and presented a study on this topic commissioned by SECO. Numerous foreign banks had participated and expressed their view that competition was limited due to a reduced variety of offerings. Contrary to earlier statements by the Competition Commission, the foreign banks are not in a position to fill the gaps so quickly – at least not in all market segments. In particular, providing services to SMEs – even those operating internationally – is only feasible once a certain volume is reached. It will take time for new opportunities to materialize.

During the year under review, discussions with the SIF focused on a highly technical issue, namely the impact of CRD6 on the cross-border business of foreign banks, particularly in the areas of financing and structuring. Under CRD6, these transactions are no longer permitted without a branch in the EU, and the banks concerned are in contact with SIF to discuss the specific implications and potential adjustments to their internal organisation.

In August 2025, a delegation from the Board met with a group of parliamentarians from the National Council's Committee on Economic Affairs and Taxation to discuss the parliamentary inquiry into the UBS-CS case. All political parties were present, and the foreign banks were able to share experiences from their home markets and offer their perspectives on the measures proposed in Switzerland. To begin with, the AFBS representatives explained the role and business models of foreign banks in Switzerland and noted that they have long been an integral part of the financial centre, and intend to remain so. However, they also pointed out that regulatory complexity, combined with high labour and production costs as well as a strong currency, poses significant challenges for an international firm's operations in Switzerland. If the added value of these activities cannot be clearly demonstrated, there is a risk that the decision regarding the location will also be called into question. There are several reasons why certain administrative activities are centralised abroad: operational resilience, process consolidation, and also cost considerations.

In October, the AFBS met with Karin Keller Sutter, President of the Swiss Confederation. Here, too, focus was initially on getting to know one another. The President welcomed the strong ties that foreign banks have with Switzerland as a business location. She made it clear that the regulatory changes following the UBS-CS case are primarily aimed at systemically important banks and that smaller institutions should not be affected to the same extent. Nevertheless, she noted – as did FINMA – that certain regulatory requirements are difficult to apply solely to individual categories of banks. Thus, guidelines on business conduct would apply regardless of the institution's

size, and the definition of the supervisory authority's powers would apply equally to all institutions.

Another first for the Association was the media roundtable on custody banking, which took place in November with representatives from all business media outlets in attendance. The representatives of the foreign banks took the opportunity to explain the custody business and its global structure, and to highlight the difference between asset custody and asset management. This technology-intensive business requires the ability to process large volumes to ensure efficiency and it demands ongoing significant investment in IT infrastructure. For these reasons, among others, it is attractive for Switzerland as a business location that global providers specialising in this field are present here and offer their services. The discussion generated a great deal of interest and was followed by a lively exchange of views.

The annual meeting with the Swiss National Bank had to be postponed to the second half of the year due to the participants' availability.

Association Activities and Personnel

Once again, the 53rd General Assembly was held virtually. The event was accompanied by the annual get-together, held in Zurich at the main sponsor's, Bär & Karrer. Eva Selamlar of the Financial Innovation Desk (FIND) presented the key trends in digital innovation, particularly regarding the use of AI in banking and the secure storage of data with Quantum Safe. The ensuing discussion provided an opportunity to compare developments in Switzerland with those in other financial centres. Discussions continued in an informal setting on a pleasant, mild early summer evening.

During the year under review, the AFBS once again organised more than eighty events for its members. These included AFBS Group meetings as well as Conferences, Round Tables, and other formats designed to share information or exchange ideas. Networking with colleagues is an important benefit offered by these events. Unlike at larger banks, experts at foreign banks are often on their own in their field and are happy to be able to discuss their challenges and exchange views with colleagues from other institutions. Even though video conferences are valued for saving time, participants consistently find that in-person attendance is essential for maintaining relationships. The Board shares this view and has decided to hold its meetings in person as a general rule, with video conference meetings only in exceptional cases, and not in a hybrid format.

The 53rd General Assembly elected Anke Bridge, LGT Bank (Switzerland) Ltd., and Grégory Lambillon, ING Wholesale Banking Switzerland, as new members of the Board. It renewed the mandates of Alfonso Gomez, BBVA (Suiza) SA and Enna Pariset, BNP Paribas, both of whom also serve as Vice-Chairs, as well of Peter Gabriele, J.P. Morgan (Suisse) SA and Marni McManus, Citibank (Switzerland) Ltd. During the year, the Board co-opted Fouad Hamiyeh, FAB Private Bank (Suisse) S.A.; Clemens Kaiser, Deutsche Bank (Schweiz) AG; Elie Sassoon, Bank J. Safra Sarasin AG; and Daniel Torreilles, J.P. Morgan (Suisse) SA; as new members. It acknowledged resignation of Daniel Belfer, Bank J. Safra Sarasin AG; Peter Gabriele, J.P. Morgan (Suisse) SA; and Gabriel Castello, HSBC Private Bank (Suisse) SA, who is succeeded in the Board by Alfonso Gomez. The Board extends its sincere thanks to them all for their support and cooperation within the Association.

An up-to-date list of the AFBS' mandates and representatives can be found atwww.afbs.ch \ About Us.

The Board would like to take this opportunity to thank everyone who has supported the work and promoted the interests of the foreign banks and the Association.

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The Board would also like to express its thanks to the Association's Secretariat for its ongoing work in information and coordination which ensures the efficient conduct of the Association's mission.

Zurich, April 2026

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