# Switzerland Is Your Safe Haven During Crisis

By Jamie Vrijhof-Droese

If we have learned one thing from the past few years, it is that life is unpredictable. A crisis can hit at any time and without notice.

One thing you can do to protect yourself is to bring part of your wealth offshore. There are several suitable countries, but we firmly believe that Switzerland should be your number one choice.

Switzerland is the world's oldest financial haven. A staggering one-fourth of the world's private wealth resides in Swiss banks! This makes the Swiss financial center one of the most competitive in the world and the leader in cross-border wealth management. It offers a first-class environment for technological innovation, while its regulatory system is recognized internationally as exemplary.

What is Switzerland's secret? There are several factors: Switzerland's long history as a financial haven, the professionalism and integrity of its banks, and its strict policy of neutrality and non-intervention.

The status of Switzerland has developed over time. It is one of a kind. The great stability of the Swiss Confederation has its roots in a highly developed conservatism. History shows that Switzerland has experience in surviving powerful neighbors.

However, before we dive into Switzerland's role as a financial haven let me tell you a little bit about myself.

Like most of my peers, it makes me proud to be a part of the Swiss financial market. Growing up in a small valley surrounded by hills and cows, I decided to start an apprenticeship at one of Switzerland's largest banks when I was only 15 years old.

I worked in various departments and afterward went on to study banking and finance at university. To add even more to the cliché, I love chocolate and punctuality. As you may have guessed by now, I am a little biased when it comes to Swiss banking; however, I still try my best to guide you objectively through my world.

## The Swiss Financial Industry

The financial sector is one of the cornerstones of the Swiss economy. It contributes 9.7% to our gross domestic product. The sector is remarkably diverse with banks differing in size, business model, ownership structure, and regional orientation. They include 4 major banks, 24 cantonal banks, 39 stock exchange banks, 1 Raiffeisenbank, and 59 regional and savings banks. The rest is split between private banks, foreign-controlled banks, and foreign branches in Switzerland, among others.

Banks contribute to Switzerland's international top competitiveness rank by catalyzing economic development, offering a large number of skilled jobs, paying above-average salaries, and having a considerable share of public sector funding in taxes. The rapid deployment of Covid-19 credits by Swiss banks in March 2020 was a significant factor to counter the economic downturn caused by the pandemic.

Banks in Switzerland are now also focusing on digital innovation in order to develop new business models and improve internal efficiency and cost structures. Furthermore, the Swiss FinTech landscape has increased significantly, to now over 374 FinTech companies. A third of them are active in the field of Distributed Ledger Technology.

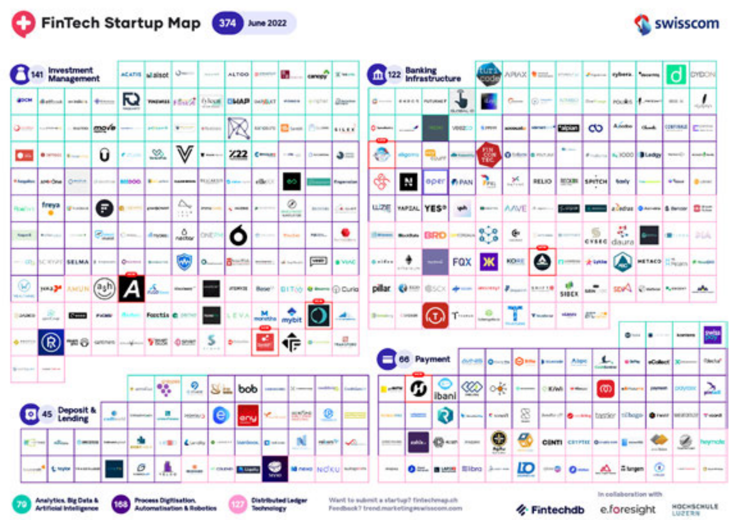
In August 2019, the first two blockchain service providers were granted banking and securities dealer licenses by the authorities. In 2021, the Swiss Financial Market Supervisory Authority approved the first independent marketplace for digital assets in the world, the first Swiss DLT-based stock exchange, and the first Swiss crypto fund.

Almost half of the CHF$7,879 billion assets currently managed by Swiss banks originated abroad. With a market share of 24%, Switzerland is the global leader in the field of cross-border private wealth management business.

## History And Expertise

Banks were established on Swiss territory in the 16th century. Swiss banks were some of the primary financiers of the industrial revolution.

Bank secrecy in the Swiss region can be traced to the Great Council of Geneva, which outlawed the disclosure of information about the European upper class in 1713.




During the 1780s, Swiss bank accounts began insuring deposits, which contributed to their reputation for financial security.

The Federal Act on Banks and Savings Banks, colloquially known as the Banking Law of 1934, made the violation of banking secrecy a federal criminal offense. Article 47(b), was drafted before its ratification to protect Jewish assets from the Nazi party.

The long history of Swiss banking has given rise to a class of professional bankers, who, upon completion of university, undergo training in foreign exchange, portfolio management, securities trading, and many other disciplines.

At the same time, bankers are given increasing responsibilities with only those demonstrating aptitude and integrity being permitted to deal with private clients and their assets. The result of this rigorous process is the creation of the world's most knowledgeable and capable financial professionals.

## Politics And Neutrality

In 1815, the Congress of Vienna formally established Switzerland's international neutrality which led to a large capital influx.

After a small-scale civil war in the 1840s between the Swiss cantons, the Swiss Federation was founded in 1848. The formation of the state, through a direct democracy, contributed to the political stability needed for banking secrecy.

Over the centuries, Swiss banking clients have included many of the world's wealthiest individuals, including virtually all of Europe's royal families. One reason why wealthy clients from all over the world trust their assets to Switzerland is due to the nation's long tradition of political neutrality.

Switzerland avoided both World Wars. As a result, it emerged with its industrial and financial infrastructure intact.

Swiss neutrality continues to the present day. Switzerland has repeatedly rejected membership in the European Union due to concerns that doing so would compromise its neutral status and force it to take sides in international disputes.

While Switzerland has good relations with the European Union, they are an island of independence. Switzerland is also not part of NATO. The country is therefore at no risk of getting dragged into more recent conflicts.

This is the main reason that the Bank of International Settlements, an organization that facilitates cooperation among the world's central banks, is headquartered in Basel, Switzerland.

## Economy And Wealth

Switzerland has one of the world's most advanced free economies. It has the third highest GDP per capita in the world. At the end of 2017, Swiss GDP per capita stood at US$80,296. The public debt-to-GDP ratio in Switzerland has fallen considerably in recent years, from 54.6% in 1998 to 41.4% in 2022.

Switzerland has the lowest rate of value-added tax in Europe. 7.7% is levied on most goods and services, 3.7% on accommodation services, and 2.5% on necessities and other everyday items.

The economy of Switzerland also ranks first in the world in the 2021 Global Innovation Index and second place in the 2022 Global Competitiveness Report.

Switzerland invests over CHF$16 billion in research and development annually. This rate of investment is equivalent to around 3% of its GDP. This makes Switzerland one of the top spenders on research and development in the world.

## Laws And Protection

Lastly, Swiss banks are subject to some of the highest capital reserves requirements in the world. The Swiss government offers unparalleled guarantees on funds deposited within Switzerland in case of a bank's insolvency. The custodian banks carry all accounts in the name of their clients. Securities are traded and held in the bank's name but segregated from the bank's own assets.

Clients with banks and securities dealers that are authorized by the Swiss financial market authority FINMA are covered by a depositor protection scheme. If a bank or securities dealer is declared bankrupt, deposits up to a maximum of CHF$100,000 per client are secured. This applies to all deposits, including those made at foreign branches.

Unlike cash deposits, assets lodged for safekeeping (such as shares, bonds, and other securities) are client property, and are immediately ring-fenced and released to clients separately from the bankruptcy proceedings. They, therefore, do not form part of the bankruptcy estate at any time. This reduces the risk of losses suffered significantly.

After the financial crisis, international treaties were signed with several nations in regard to disclosing information to tax authorities of other countries. One of those treaties was the U.S. Foreign Account Tax Compliance Act (FATCA).

FATCA requires Swiss banks to disclose non-identifying U.S. client information annually to the Internal Revenue Service. The agreement does not guarantee the semi-automatic information transfers, which remain at the discretion of Swiss government authorities. If a client does not consent to having their information shared with the IRS, Swiss law prohibits the disclosure. If a client does consent, Swiss banks send the IRS tax-related information about the account holder, but are prohibited from disclosing identities pursuant to Article 47 of the Banking Law of 1934.

In addition, respect for privacy is part and parcel of the Swiss national mentality and confidentiality is a principle that is deeply engrained in education. Even with international tax treaties in place, holding part of your money abroad significantly increases your protection against nosy neighbors or family members.

Last, but not least, in Switzerland, the citizen controls the state—not the other way around.

## In Short

Switzerland's exceptional status has developed over the centuries. It is one of a kind. Holding a bank account in Switzerland can help you profit from the great stability of the Swiss Confederation and its highly developed conservatism. It gives you access to well-educated, experienced, and passionate financial experts.

You will hold your money in a neutral country with low taxes and laws that were written to protect you as the client. Last, but certainly not least, you will benefit from enhanced privacy protection and an added layer of asset protection. SL

**Editor's Note:** Want to know a secret? If you would like to learn more about Switzerland as a financial jurisdiction, send Jamie a message with the subject "Book" and she will happily send you a free digital copy of her book *Swiss Money Secrets*.

And, if you would like to receive a Swiss perspective on current economic developments and stock market movement, send her a message with the subject "Newsletter" and she will sign you up for her free mailing *The Swiss View* which is sent out every six weeks.

**About The Author**

Jamie Vrijhof-Droese is a cross-border wealth management expert, public speaker, and writer. She heads the business development of WHVP and advises a group of international clients with respect to international diversification and asset protection.

Jamie is a board member of the Swiss Association of Wealth Managers. She started her banking career back in 2009 at Credit Suisse, where she worked in different departments, amongst others in Credit Risk Management, Consumer Finance, and Private Banking. Her experience is topped off with several years of working experience as a financial planner.

She holds a Bachelor's degree in Banking and Finance as well as a Master of Business Administration (MBA) from the University of St. Gallen. You can connect with her through LinkedIn or via email.

WHVP is a Swiss asset management company owned and managed by the second generation. Since 1991, we have specialized in serving U.S. clients out of Switzerland.

Additionally to being regulated in Switzerland, we are also registered with the Securities and Exchange Commission in the United States. We are associated with several first-class private banks in Switzerland, Liechtenstein, and Austria, which act as custodian banks for our client's accounts. Our asset management principles are guided by conservative, long-term oriented capital preservation strategies.

You can learn more about WHVP here.