

*Finance Valley Lake Zurich, Pfäffikon SZ*

*Quality, Credibility and Sustainability of the Finance Industry*

*Hotel Seedamm Plaza, September 25, 2012*

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**UNIVERSITÄT  
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*The „C-Concept“ –  
Past, Present and Future Issues  
for the Swiss Finance Industry*

by

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# *Content*

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## **I. Preliminary Remarks**

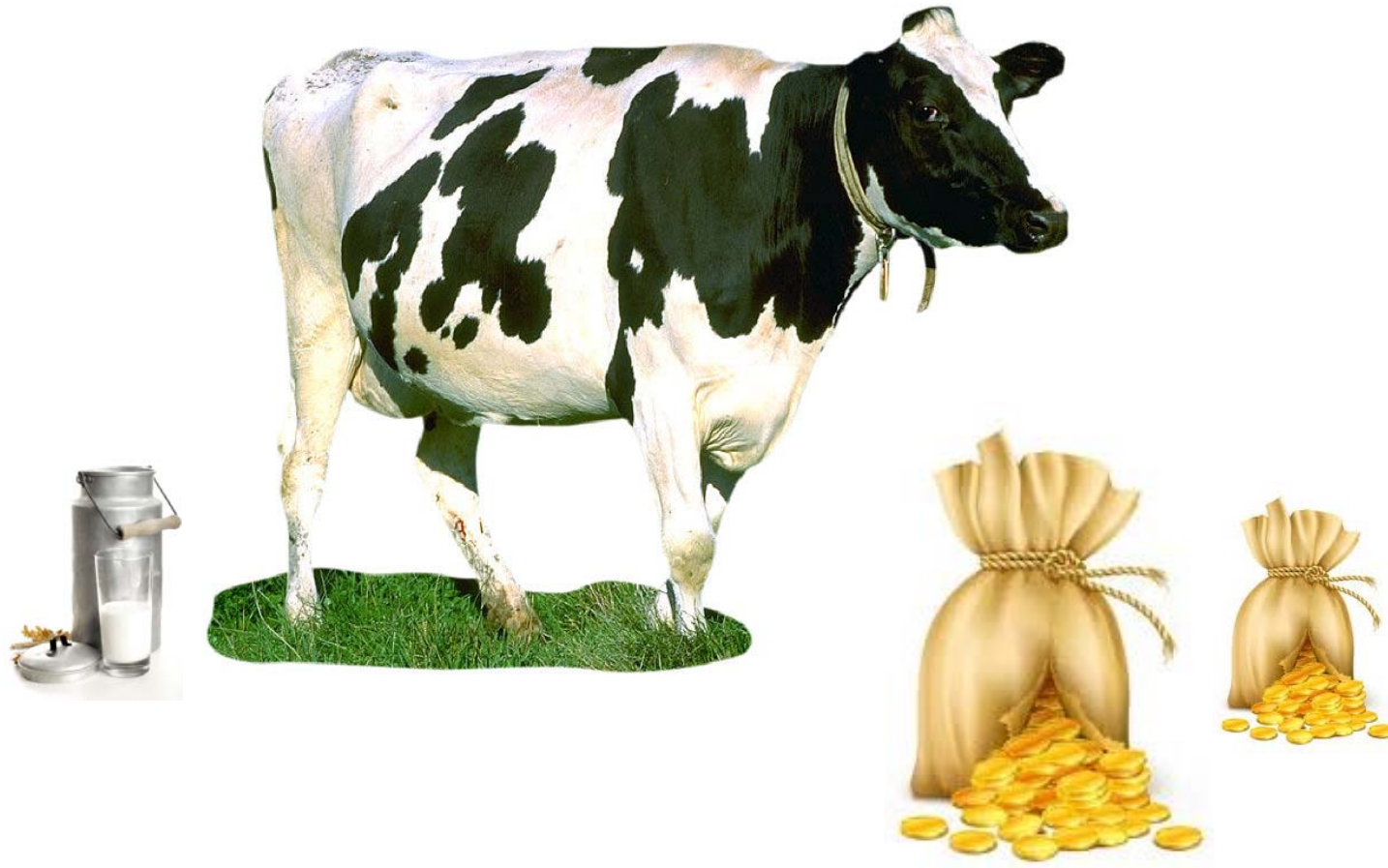
## **II. The „C-Concept“ of the Swiss Finance Industry**

1. Cash Cow Function
2. Care
3. Chairpeople and Chiefs
4. Credibility
5. Cash and Capital Requirements
6. Codes of Conduct
7. Corporate Governance (CG)
8. Compliance
9. Corporate Social Responsibility (CSR)

## **III. Concluding Remarks**

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# *Basis of the Swiss Finance Industry*



## **Basis: *Cash Cow Function***

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- **We all know: „Es esch immer scho so gsiii“...**  
... but *how long* will this be the case (if at all)?
- **Scandals: Finance Industry as the New „Bad Guys“**  
Lehman Brothers/UBS et al.; Mr. Birkenfeld; Mr. Adoboli; LIBOR etc.
- **Cash Cow Function in Switzerland:**  
*Jobs* (> 200'000); *GNP* (approx. 10%); *Taxes* (approx. 15%)

# *Basis of the Swiss Finance Industry*

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## ***Basis: Care***

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- **Duty of Care (and Duty of Loyalty)**  
i.e. *Legal Concepts with Background in Ethics...* various Perspectives:
- **Shareholders:**  
What are their Goals? *Quality* or *Credibility* or *Sustainability* or *RoE..?*
- **Customers:**  
Quality of Investments; Quality of Advisory Services; Rule of Law etc.
- **Employees of Finance Firms:**  
Salary, Reputation and – **not to be „disclosed“ to Foreign Authorities..!**

# *Basis of the Swiss Finance Industry*



## **Basis: Chairpeople and Chiefs**

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- **We say: „Der Fisch stinkt vom Kopf her“...**  
i.e. Leading means more than the Gathering of Salaries and „Boni“
- **Qualities:**  
e.g. Leadership, Technical (and Soft) Skills, Independence and Integrity – *Diversity..?*
- **How to Do it?**  
Regulation? Self-Regulation? More „*Power to the Shareholders*“?



# *Basis of the Swiss Finance Industry*

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## **Basis: *Credibility***

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- **More is needed than a „Good Handshake“...**  
*Reputation Issues of Swiss Finance Industry are exploited abroad*
- **Finance Industry...**  
No 1: No new Scandals; No 2: Less „Bankers Arrogance“; No 3: More Overall Quality
- **Rule of Law... and Courts as well as Authorities:**  
*e.g. Swiss National Bank and Swiss Financial Market Supervisory Authority*

## Areas for Improvements



## *Improvement: Cash and Capital Requirements*

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- **Cash and Capital**  
*Basel III – what about Accounting and Auditing?*
- **so-called *Swiss Finish***  
Legal and Economic Necessities due to *Specific Perils*
- **... and Prevention...**  
*is not enough* regarding TBTF-Firms..!

## *Areas for Improvements*

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## *Improvement: Codes of Conduct*

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- **(No Religion...) Legality and Ethics**  
Codes as Part of „*Public Relation*“? Is there more to it..?
- **Standard-Setting**  
Self-Regulation – not all Financial Firms are „just the same“
- **Compliance for Supervision**  
Codes of Conduct *without (legal) Sanctions* are useless

## *Areas for Improvements*



## *Improvement: Corporate Governance (CG)*

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- **CG is „en vogue“ (nationally and internationally)**  
Self-Regulation vs. Regulation
- **Separation of Business Powers**  
i.e. *BoD* vs. „*Chiefs*“ – and what about the „*Executive Committees*“?
- **All „Power to the Shareholders“... really?**  
More *Disclosure*? More *Participation* (e.g. „*Say-on-Pay*“)? More *Court Intervention*?



## *Areas for Improvements*



## *Improvement: Compliance*

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➤ **Status**

e.g. *Reputation* – Nuisance or Necessity? More Power to the „*Compliance Officers*“ ..!

➤ **Banking**

Wealth Management; Investment Management; Asset Management

➤ **Downside...**

Handelsblatt June 22, 2012: „*Die neuen Mächtigen – Der Compliance-Wahnsinn*“

➤ **Standards**

Critical Thinking ought to top „Checking“ (of the „Playbook“)

## *Areas for Improvements*



## *Improvement: **C**orporate Social Responsibility (CSR)*

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➤ **Sponsoring**

*Sports Events* (Tour de Suisse etc.) and *Sports* (e.g. Formula 1, Golfing, Yachting)

➤ **„Good Will Hunting“**

How to stop the „*Bashing*“ of the Finance Industry..?

➤ **Corporate Social Responsibility**

CSR is more than “Good Will Hunting“ – it might lead to some *New Ethics*...

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# Besten Dank für Ihre Aufmerksamkeit..!

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