Liberalisation after 1998: Banks, Markets and the Opening of the Sector: Comparison with Geneva and Hong Kong

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Switzerland: cartels, competition law and the electronic exchange

Switzerland opened its financial sector in the same decade, by a different route. The Swiss banks had long fixed their fees through agreements administered by the Swiss Bankers Association. In April 1989 the federal Cartel Commission proposed a sweeping deregulation of the eighteen cartel-like arrangements operated by the banks, which covered brokerage fees, foreign exchange commissions, advertising and custody fees. The Federal Department of Economic Affairs ordered the dissolution of the convention on custody fees by the end of 1992. When the Bankers Association challenged the order, the Federal Supreme Court annulled it on procedural grounds in October 1991. The episode shows that in Switzerland the opening of the banking market was fought out between the competition authorities, the courts and the banks themselves.[1]

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The reform of the Swiss exchanges followed in the same years. The stock exchanges of Geneva, Basel and Zurich merged in 1993, while the new association took over trading in 1995. Electronic trading began with foreign shares in December 1995 and reached Swiss shares in August 1996. By the summer of that year floor trading in Switzerland belonged to the past. Supervision was unified later, when the Swiss Financial Market Supervisory Authority began operations on 1 January 2009.[2]

Hong Kong: the parallel race

Hong Kong reformed its exchanges at almost the same moment. Hong Kong Exchanges and Clearing was established on 6 March 2000, when the stock exchange merged with the futures exchange.[3] SGX had been formed three months earlier. Both cities thus concluded in 1999 and 2000 that a mutual exchange owned by local brokers could not compete in a market of electronic trading and global investors. Chapter III of Part K examines the rivalry between the two exchanges and between the two financial centres more broadly.

Assessment

The comparison shows three features of the Singapore reforms. First, the state led. In Switzerland the opening was contested between the competition authorities, the courts and the banks themselves. In Singapore, a government review group designed the reforms, private sector committees refined them and MAS implemented them according to a timetable. Second, the opening was calibrated. Singapore admitted foreign banks in numbered tranches and with limits on branches, while it protected the market share of its own banks by explicit policy. Third, opening and consolidation were part of one strategy. The government used foreign competition to force the local banks to merge and to reform their governance. The result was three strong domestic banks that could compete in the region.

The Swiss approach preserved a greater diversity of institutions, from the large banks to the private banks of Geneva, the cantonal banks and the regional banks. Singapore accepted the disappearance of four of its seven banking groups as the

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price of strength. Both centres arrived at a similar end point in supervision, with a single integrated supervisor for banking, insurance and capital markets. Switzerland created FINMA only in 2009, whereas MAS, already the integrated supervisor of Singapore, had declared risk-focused supervision its philosophy in 1998.

In figures

Start of the financial sector review: August 1997. Financial services share of GDP in 1997: 12 per cent. Commercial banks at end-March 1998: 154 (12 local, 22 foreign full, 13 restricted, 107 offshore). Liberalisation programme announced: 17 May 1999. Foreign shareholding limit in local banks: 20 per cent (1971), 40 per cent (1990), lifted 1999. Approval thresholds: 5, 12 and 20 per cent. First Qualifying Full Banks: four on 20 October 1999, six from 1 January 2002, eight in 2012, ten in 2026. QFB locations: 10 (1999), 15 (2001), 25 (2005). Local banks' share of resident deposits: 62 per cent (1999), 59 per cent (2004), policy floor 50 per cent. Local banking groups: seven before 1998, three after 2001. DBS–POSBank: S$1.6 billion, 16 November 1998. UOB–OUB: S$10 billion, September 2001. SGX formed: 1 December 1999, listed 23 November 2000. Brokerage commissions fully negotiable: 1 October 2000. Securities and Futures Act and Financial Advisers Act in force: 1 October 2002. Deposit insurance: S$20,000 from 1 April 2006, S$100,000 from 1 April 2024.

Notes

1. *The Christian Science Monitor*, "Tough Times for Swiss Bankers", 8 June 1989: in mid-April 1989 "the Swiss Cartel Commission proposed a sweeping deregulation of the 18 cartel-like arrangements operated by the banks", attacking "the price-fixing agreements on brokerage fees, foreign-exchange commissions, bank advertising, and custodian fees" – Federal Supreme Court of Switzerland, judgment of 25 October 1991, BGE 117 Ib 481: Convention IV of the Swiss Bankers Association concerned uniform fees for open securities deposits; on 10 September 1990 the Federal Department of Economic Affairs ordered its dissolution "bis spätestens 31. Dezember 1992"; the Court upheld the Association's appeal and remanded the matter. ↩

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2. Wikipedia, "SIX Swiss Exchange" (accessed November 2026): founded in 1993 by merging the Geneva, Basel and Zurich stock exchanges; "The newly created association took over trading in 1995"; electronic trading of foreign stocks from December 1995 and of Swiss stocks from August 1996, when the trading floor was discontinued; renamed SWX Swiss Exchange in 1999 and SIX Swiss Exchange in 2008. The article also dates the last floor session to 16 August 1995, which conflicts with its own account and with the *Dictionnaire historique de la Suisse* cited in the Geneva volume (floor trading ended in the summer of 1996) – Ressos, *Genève, place financière internationale*, Part E, chapter on the regulatory framework of wealth management: FINMA began its activities on 1 January 2009, combining the Federal Banking Commission, the Federal Office of Private Insurance and the Anti-Money Laundering Control Authority, citing the Federal Act of 22 June 2007 on the Swiss Financial Market Supervisory Authority. ↩
3. Wikipedia, "Hong Kong Exchanges and Clearing" (accessed November 2026): founded on 6 March 2000; merger with the Hong Kong Futures Exchange completed in March 2000; the unified stock exchange had 570 participant organisations before the merger. ↩

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