



Challenges and perspectives for commodity trading in Switzerland

The commodity trading industry in Switzerland is at a turning point and there are many challenges to be faced. Through positive engagement with the authorities and a commitment to dialogue with all stakeholders and the general public, STSA is confident that the industry is fit to meet these challenges and ensure the strength of the Swiss commodity trading hub well into the future.

Each year, the Swiss federal authorities organise a commodities round-table in order to meet industry stakeholders (commodity firms, NGOs and cantonal authorities) to discuss current challenges for the industry. STSA and some industry actors were invited to address the round-table, entitled: “Where should the Swiss commodity trading hub stand in 2020: Perspectives and challenges”. Following a consultation of its members on this topic, STSA set out some of the economic and political challenges facing the industry, while underlining the positive efforts of the Association and its members to meet these challenges.

It is no secret that the Swiss hub is facing stiff competition from its main rivals. Business conditions have become more uncertain and the tendency to add new layers of regulation is not helpful. This is affecting larger companies with dedicated compliance teams as well as small and medium enterprises, the sources of much of Switzerland’s economic strength.

STSA recognises the importance of regulation and is committed to ensuring that such regulation is well-targeted, harmonised with international norms, and does not overlap or come into conflict with existing regulation. Contrary to popular belief, the industry is actually highly regulated. The fact that there is no one singular supervisory body is more a result of the industry being highly diverse and internationally active, rather than of a lack of regulation per se. This makes the debate about a ROHMA moot. Appropriate industry regulation would target individual activities rather than aggregating the industry as a single entity, and through, dialogue with the authorities STSA is trying to ensure that this is the kind of regulation Switzerland will aim to implement looking towards 2020.

Regulation is not the only challenge facing the industry. The financial crisis also led to a rise in standards imposed on banks, which leads to difficulties in obtaining financing. Combined with this are other concerns like high operating costs and barriers to mobility of human capital – a great hindrance to an industry as international as commodity trading. But for each of these, STSA is working at developing practical ways to respond.

First, a solutions-based dialogue that includes all the relevant stakeholders should be the preferred response to regulatory and transparency challenges. The commodity trading industry has a very strong expertise at its disposal that STSA is committed to mobilising in discussions with public and private partners, and in explaining the industry’s position to the general public. Fostering understanding of the industry is vital to ensuring the Swiss hub’s continued strength, and by far the best way of maintaining support of the industry in the general public and with the authorities. STSA is achieving this already through its engagement with the authorities and through various projects like *Commodities*, our annual publication about the industry which shines a light on the industry’s work in areas such as regulation, human rights, development, education, and innovation. Our sector has evolved greatly in recent years and keeps changing. It is important for all stakeholders to be aware of the latest developments, and it is STSA’s responsibility to raise awareness of these.

Second, the industry must be clear in its support for regulation that is coherent, well-targeted, and consistent with existing international regulations. STSA is key to helping Swiss authorities understand the extent of current applicable local and global regulations and the realities of commodity trading field activities.

Third, STSA has to foster, together with the industry, the pursuit of innovative and creative answers to accompany the evolution of regulation and transparency demands, be it locally or internationally. The work towards building more sustainable value chains can only be achieved through a permanent dialogue with its members, the authorities and NGOs in order to contribute to a long-term competitive commodity trading hub in Switzerland and to our country’s good reputation.

Occasions such as the stakeholder roundtable are a key opportunity for the industry to demonstrate the ways in which it will rise to the challenges it faces, and proactively engage with the authorities on how to deal with these challenges. We are confident that through the adaptability and proactivity of the industry, the Swiss commodity trading hub will be thriving until and beyond 2020.

For more information, see STSA website.