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Headquarters location decision: Why do foreign financial firms locate their headquarters in Switzerland?

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ABSTRACT:
Sveitsi on houkutteleva paikka finanssialan yrityksien pääkonttoreille. Taustalla olevien syiden selvittämiseksi ei ole kuitenkaan tehty riittävästi työtä ja tämän vuoksi kyseinen kandidaatin tutkielma pohtii taustalla olevia merkittävämpiä syitä finanssialalla toimivien yrityksien pääkonttorin sijoittamisessa Sveitsiin.

Tutkimuksen käsitteellinen malli on kehitetty aiemman kirjallisuuden pohjalta käsitteleviä rahoitusalan yrityksiä ja niiden toimintoja, pääkonttoreita ja niiden toimintoja sekä Sveitsin keskeisiä ominaisuuksia ja tekijöitä, jotka vaikuttavat ulkomaisten rahoitusyritysten pääkonttorien sijoittamista Sveitsiin. Tulokset osoittavat, että Sveitsin taloudellinen kilpailukyky, houkutteleva verojärjestelmä, osaava työvoima, ensiluokkainen sijainti, erinomainen infrastruktuuri, institutionaalinen tuki, suuri markkinakoko, avoimuus ja innovaatiokyky ovat keskeisessä asemassa kannustaen ulkomaisia rahoituslaitoksia sijoittamaan pääkonttorin Sveitsiin. Tekstissä käsiteltävillä havainnoilla on merkittäviä vaikutuksia ulkomaisten rahoitusyhtiöiden päätöksiin.

Switzerland is an attractive place for locating the headquarters of foreign financial firms. However, there is no prior understanding of factors driving foreign financial firms to locate their headquarters in Switzerland. Therefore, purpose of this thesis is to investigate the key factors determining the decision of foreign financial firms to locate their headquarters in Switzerland.

The conceptual model of this thesis is developed by reviewing the prior key literature on financial firms and their functions, headquarters and their functions, key characteristics of Switzerland, and determinants of locating foreign financial firms' headquarters in Switzerland. Findings suggest that Switzerland's economic competitiveness, attractive tax system, skilled labor, prime location, excellent infrastructure, institutional support, large market size, openness, and innovation capability are the key factors driving foreign financial firms to locate their headquarters in Switzerland. These findings have important implications for locating the headquarters of foreign financial firms in Switzerland.

KEYWORDS: Switzerland, Headquarters, location decision, financial system, financial institution, foreign direct investment

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1 Introduction

In this chapter, we are going to cover the essential information regarding the topic and research questions. At first, we dive deeper into backgrounds of the study making our way to the research question and sub objectives. After we have covered these parts, we move on to the delimitations of the study. Finishing that, we give definitions for key terms used in this study. We wrap this chapter up by talking about the previous studies aligning with this topic and giving clear explanation of the structure used in this study.

1.1 Background of study

Switzerland has long been recognized as one of the leading financial centers around the globe (Verzeletti, 2025). Switzerland´s reputation for being at the top of the financial game attracts and acts as an opportunity for financial firms to operate and enlarge their business operations over to Switzerland. Switzerland also carries out a significant number for high-net-worth individuals (HNWI´s) and being at the top seven countries regarding Gross Domestic Product per capita (GDP) (World Bank Group, 2024). In addition, its strategic position in the financial world, economical world and geopolitics make it very attractive destination for doing business (Swiss National Bank, 2025). In 2024 branches of foreign banks held approximately 58 million Swiss Francs worth of assets, according to Swiss National Bank. Moreover, the country's reputation for running financial business has been attractive for many decades due to the political and economic stability which has had a huge impact on the attractiveness (Verzeletti, 2025). Verzeletti also brings up key points such as privacy and data protection, advanced financial infrastructure, professionalism and expertise, access to international markets, flexible and innovative regulation and sustainable investing. These are considered as key factors when thinking about country´s position in the financial markets.

Switzerland has great reputation for hosting top financial hubs such as Geneva and Zurich which compete with other major hubs around the world such as New York, Hong Kong and London (Mainelli & Wardle, 2024). The country's finance and banking industry

has transformed itself in past 40 years from outdated assortment of trading, clearing, settlement and payment systems into Finanzplatz Schweiz (Finance Center Switzerland) (Meier et al, 2023). Meier and others mention that Finanzplatz Schweiz attracts foreign businesses and corporations to enlarge and transform their businesses to Switzerland. Bottom line is that Finanzplatz Schweiz is built on financial system which consists of buy and sellside institutions. Later on, in this thesis we investigate the financial system further. The country´s reputation for financial expertise, innovation and discretion has made the country preferred destination for managing wealth, facilitating international transactions and accessing global markets (Meier et al, 2023). The country´s central location in Europe and its global connectivity are one of the key factors offering accessibility to global financial markets. There are lot of High-Net-Worth Individuals (HNWIs) holding assets in Switzerland which attracts sellside institutions offering wealth management and private banking services. Sellside institutions act as a matchmaker, linking financial companies who need investment with buyside investors (Bloomberg Finance Fundamentals, 2025).

Though prior research has highlighted the importance of Switzerland as an attractive place for foreign financial firms to locate their headquarters giving sights about cross-border transactions and overall situation of the local financial market (Betrisey & Ayranova, 2018), but prior research has not investigated the factors driving foreign financial firms to locate their headquarters in Switzerland. Therefore, this thesis focuses on investigating the determinants influencing the decision of foreign financial firms to locate their headquarters in Switzerland.

1.2 Research question and the objectives of the study

The preceding discussion about the research gap steers the course of the present thesis. The basic objective of this thesis is to ***investigate the key factors determining/influencing the decision of foreign financial firms to locate their headquarters in Switzerland***.

Accordingly, main research question of current thesis is:

What are the key factors determining/influencing the decision of foreign financial firms to locate their headquarters in Switzerland?

In order to better understand and answer the main research objective, following three sub-objectives are developed:

1) To study the conceptualization and functions of financial firms and their headquarters

2) To study the country characteristics of Switzerland

3) To investigate the key factors which determine the decision of foreign financial firms to locate their headquarters in Switzerland

1.3 Delimitations of the study

The topic is delimitated to investigate, why Switzerland is an attractive place to run businesses and have headquarters located in. The focus is on financial firms instead of firms in manufacturing sector which have gathered a lot of attention regarding previous studies. The delimitation concentrates on Switzerland's position in the global finance and reasons why it attracts financial institutions. The delimitation is also focused on Switzerland as country, instead of focusing on any particular city of Switzerland. After reading this thesis, the reader will understand and separate key factors affecting firms' decisions to enlarge their operations and why the financial market plays major role in Swiss economy. Collecting empirical data is not part to test the conceptual model of this thesis.

1.4 Definition of key terms

Key terms used in this thesis are defined below:

Switzerland: Officially known as the Swiss Federation is a country located in Central Europe, known for its Alps, neutrality and multicultural society. (Diem et al, 2025). Switzerland is divided to 26 cantons and there are four official languages: German, Italian, French and Romansh. The currency used in the country is called Swiss Franc (CHF) and the population is approximately 9.1 million (2025) people with area of 41 290 km². Neighboring countries are Germany, France, Liechtenstein, Italy and Austria.

Headquarters: The company's main location where it manages its operations and resides the management team (Zhou et al, 2023). Headquarters' location determines which countries' laws and regulations affect the company. The corporate headquarters (CHQ) is a key player in most of the multi-businesses (Foss, 2019). Foss explains that the operations and responsibilities of CHQ's can be larger compared to the ones mentioned above meaning regional headquarters, which we cover later. The Top-Management-Teams (TMT's) play a crucial part in operations co-operating with the CHQ which has a remarkable impact on business (Foss, 2019, p.3).

Some corporations hold their regional headquarters (RHQ's) in places where the regional management is in a crucial role (Alfoldi et al, 2012, p.279). As an example, famous and world widely known institution JPMorgan has a regional headquarters in Switzerland located in Geneva, one of the financial centers in the country.

Financial institution: Financial Institution (FI) is an organization facilitating financial and monetary transactions like investments, loans, deposits and currency exchange. Financial institutions act as a middleman connecting savers and borrowers having a crucial part in economy (Hayes, A, 2025). "Financial institutions are categorized into a variety of types including banks, credit unions, insurance companies, and investment companies,

each offering distinct services like deposits, loans, investments, and risk management products" (Hayes, A, 2025).

Financial system: Financial system is a network of different institutions, markets and intermediates who work together keeping the economy rolling (Bloomberg Finance Fundamentals, 2025). These components are very important and the system wouldn´t perform at the highest level if some part fell apart from the system. The key components in the financial system are buy-side institutions, sell-side institutions, regulators, finance professionals and media (Bloomberg Finance Fundamentals, 2025). We can make a conclusion that there are companies out there who need people to work in order to make profit, therefore the household supplies companies with labor. When households do their jobs for the company, they get wages from the company which they will use to make purchases from different companies who supply the products and services for households to consume.

Two main building blocks in the financial system are buy- and sell side institutions (Bloomberg Finance Fundamentals, 2025). The buyside institutions include factors like retail banks, insurance companies, mutual funds and pension funds. The buyside institutions serve households, meaning people. Households can deposit their savings to retail banks which will try to increase the amount invested over time (Bloomberg Finance Fundamentals, 2025). These investments are called securities or financial instruments and the most common ones used are stocks and bonds. As we discussed earlier in this thesis, there are a lot of High-Net-Worth-Individuals who have opened bank accounts to Swiss banks willing to secure their finances to a safe place.

On the other hand, sell-side institutions like commercial banks, investment banks, credit rating agencies and brokers serve companies helping them to raise funds for businesses. Sell-side institutions act as a middleman connecting companies and possible investors from the buyside to get funding. Companies can for example sell shares of their company to public which is called equity or borrowing money through loans or bonds.

Location: Location is the place where a certain point or object exists. A location is considered as an important term in geography, and it is often considered as a more precise term than place (Evers, J, 2023). Location of the corporation is one of the building blocks for running a successful business (Florida, R, 2020).

Location of the corporation is one of the building blocks for running a successful business (Florida, 2020). As mentioned in the article, the driving factor is access to highly educated and skilled people where Switzerland comes into play. There are plenty of good finance schools operating in Switzerland with highly skilled tutoring and these schools consistently produce new skilled labour for companies.

The decision of the major corporate facility, especially headquarters or subsidiaries, involves many calculations and expensive decisions which the corporation must think through. Major corporate facilities have powerful and long-lasting impacts on a company's ability to attract and retain its position in networks and markets. Poor location decisions can cost a lot of money to a company. On the other hand, good location decisions can be very profitable for the company.

Foreign direct investment: FDI is noticeable investment made by an investor, company or government to foreign enterprises. The investors often take managing positions in domestic firms or joint ventures and participate actively in their management. (Hayes, 2025). Hayes also says the investment may include gathering the materials' sources, developing the presence of a multinational and expanding the company's footprint. "The top recipients of FDI over the past several years have been the United States and China. The U.S. and other OECD countries are top contributors to FDI beyond their bord" (Hayes, 2025). It's important to note that the foreign direct investment is an investment greater than 10 percent even though some parts of the globe have higher percentage of 20 % (Welch et al, 2018).

1.5 Previous studies

Key studies on the topic of this thesis are summarized below in Table 1.

Table 1. Previous studies

Author(s)/Year	**Focus of the study**	**Methodology**	**Findings of the study**
Sauvaire, T & Muller, A/2006	How Switzerland attracts international headquarters	Cost comparison and location analysis	Switzerland attracts companies for more than just its central European location
Pleijsier, A & Pleijsier, S/2020	Selecting the ideal European HQ location	Qualitative expert assessment and comparative evaluation of HQ location options	Multinationals choose their European HQ location based on tax benefits, operational models, regional advantages, and political stability
Betrisey, F & Ayranova, T/2018	Cross-border financing report of Switzerland	Review of Legislation and Regulation. Surveys and Interviews	The Swiss financing market has seen a shift toward borrower-friendly terms and increased competition among banks in a cross-border aspect

1.6 Structure of the thesis

This thesis contains three main chapters. **First chapter** introduces essential information of the topic and definition of key terms such as Switzerland, financial system and headquarters. This chapter introduces research questions and raises readers' interest in this topic. **Second chapter** consist of Swiss country characteristics and key determinants helping reader to understand why Switzerland stands out against its peers for locating financial firms´ headquarters all the way from competitiveness to attractive tax system and location benefits. **Third chapter** summarizes our findings, and we give our sights for future research.

2 Literature review

In this chapter we provide knowledge of the financial system and its players. Financial system is large and versatile system carrying different financial institutions such as retail banks, commercial banks and credit rating agencies. Mastering these concepts, we continue by telling Switzerland´s country characteristics giving information about modern-day Switzerland. We finish this chapter introducing the key determinants why Switzerland is an attractive place to locate headquarters. Additionally, Switzerland´s financial markets competitiveness acts as base layer for country´s long-term success hosting globally recognized financial hubs such as Geneva and Zurich.

2.1 Defining financial firms and their functions

Financial system is a network of different institutions, markets and intermediates who work together keeping the economy rolling (Bloomberg Finance Fundamentals, 2025). These components are very important and the system wouldn´t perform at the highest level if some part fell apart from the system. The key components in the financial system are buy-side and sell-side institutions, regulators, finance professionals and media (Bloomberg Finance Fundamentals, 2025). As we know there are companies out there who need people to work to make profit, therefore the household supplies companies with labor. When households do their jobs for the company, they get wages from the company which they will use to make purchases from different companies who supply the products and services for households to consume (Bloomberg Finance Fundamentals, 2025).

Two main building blocks in the financial system are buy- and sell-side institutions. The buyside institutions include factors like retail banks, insurance companies, mutual funds and pension funds (Bloomberg Finance Fundamentals, 2025). The buyside institutions serve households, meaning people. Households can deposit their savings to retail banks which will try to grow the amount invested over time (Bloomberg Finance Fundamentals,

2025). Bloomberg also teaches that these investments are called securities or financial instruments and the most common ones used are stocks and bonds.

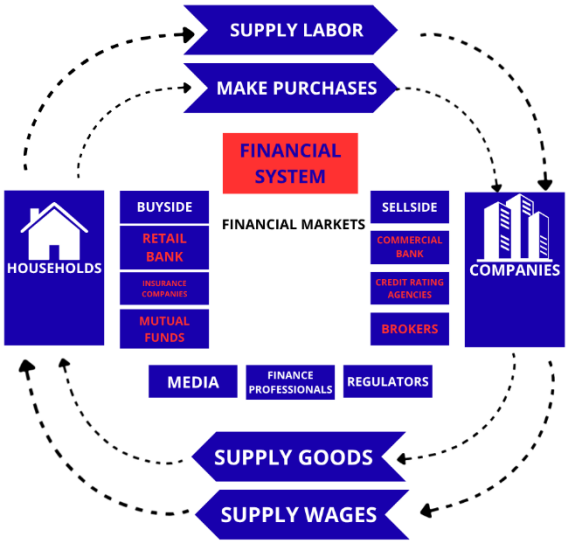

Figure 1. The map of financial system (Adapted from Bloomberg), (Bloomberg Finance Fundamentals, 2025)

Buyside and sellside institutions

Switzerland is considered one of the leading financial centers around the world, making it exciting and welcoming place to operate. Regarding the buyside institutions, there are local-born companies as well as foreign- born companies operating in the country. When thinking which buyside companies operating in the country are originally from Switzerland, there are UBS Asset Management, Julius Baer Asset Management, Pictet Asset Management, Lombard Odier Asset Management, Vontobel Asset Management, GAM Investments. Partners Group, Swisscanto Asset Management and EFG Asset Management according to FINMA (FINMA, n.d.).

Foreign-based financial institutions which can be considered as subsidiaries operating in Switzerland due to country´s stable financial environment, skilled workforce and access to wealthy clients are BlackRock, Fidelity International, J.P. Morgan Asset Management,

Allianz Global Investors, Amundi Asset Management, State Street Global Advisors (SSGA), Schroders, PIMCO, Invesco and AXA Investment Managers (SWX Swiss Exchange, 2025)

To understand how the buyside institutions make profit, we must understand how the companies work and what kind of different roles they have to offer. When working in a buyside institution, for example in retail bank, the roles typically require more experience, and it is generally considered that you must graduate from the sellside institution to work on the buyside (Bloomberg Finance Fundamentals, 2025).

In the other hand, sellside institutions like commercial banks, investment banks, credit rating agencies and brokers serve companies helping them to raise funds for businesses. Sellside institutions act as middleman connecting companies and possible investors from the buyside to get funding (Bloomberg Finance Fundamentals, 2025). Bloomberg also explains that companies can sell shares of their company to public which is called equity or borrowing money through loans or bonds.

As we discussed earlier, the sellside institutions cover the factors operating with businesses to find the perfect match between the company side and the household, acting as a matchmaker. There are many sellside institutions operating in Switzerland and some of them are locally born, others imported from abroad due to attractive perks to operate in and do business in Switzerland.

Locally born sellside institutions are for example UBS Group AG, Group AG, Julius Baer Group Ltd, Zurich Cantonal Bank (ZKB), Lombard Odier Group, Pictet Group, Vontobel Holding AG, EFG International, Banque Pictet & Cie SA, Banque Cantonale Vaudoise (BCV), Banque Cantonale de Genève (BCGE), Bank J. Safra Sarasin Ltd, Basler Kantonalbank, St. Galler Kantonalbank, Raiffeisen Switzerland.

Imported and subsidiary companies operating in Switzerland are for example Goldman Sachs Switzerland, Morgan Stanley Switzerland, J.P. Morgan Switzerland, Bank of

America Merrill Lynch Switzerland, Barclays Switzerland, Citigroup Switzerland, Deutsche Bank Switzerland, BNP Paribas Switzerland, Société Générale Switzerland, HSBC Switzerland, Credit Agricole CIB Switzerland, Nomura Switzerland, RBC Capital Markets Switzerland, Macquarie Group Switzerland, Jefferies Switzerland.

There are some major differences between the sell-side vs buy-side in the capital markets. The main differences come down to the role each side plays for their client and the personality types that do well on each side (Bloomberg Finance Fundamentals, 2025).

Retail banks

Retail banks offer services to households and individuals rather than corporations and therefore they operate on the buyside of financial system (Bloomberg Finance Fundamentals, 2025). Retail banks can offer a variety of services to their clients such as savings and checking accounts, mortgages, personal loans, debit or credit cards and certificates of deposit (CDs) (Majaski, 2025) Moreover, Majaski tells that retail banks can be local community banks, or they can also belong to larger divisions of commercial banks.

General model for income stream and creating revenue regarding retail banking is charging higher interest rates than paying for the deposits. The spread between these two numbers is the amount that retail banks make money (Majaski, 2025). Currently operating retail banks in Switzerland are Julius Baer, Banque Cantonale de Geneve, Banque Cantonale Vaudoise, Basler Kantonalbank, Luzerner Kantonal Bank, Raiffesen Group, UBS and Zurcher Kantonal Bank (GlobalBanks, n.d.).

Insurance companies

Insurance companies serve households and therefore they are counted to buyside institutions (Bloomberg Finance Fundamentals, 2025). Insurance company creates insurance products to take on risks in return for the payment of premiums (Association of British Insurers, 2025). The Association tells also that there´s two kinds of insurance companies, which may be either mutual, meaning that the company is owned by a group of policyholders or the companies can be proprietary, meaning that they are owned by shareholders.

Insurance companies offer products for insuring different areas, which may concern for example cars, properties or health-related matters (Ross, 2024). Ross adds that the income streams for the insurance companies is offering the products and charging the consumer for the product with a price that has been precisely calculated. Assessing risks is a key point operating in the insurance industry. For example, if the insurance company offers a policy with a $50,000 conditional payout, the company must assess the risk thinking about how big risk they want to take and how big the amount of premium they want to charge the customer. This risk assessment step is called underwriting (Ross, 2024). The companies must keep in mind the competitors' and their price tags for the products to keep the business profitable and have steady or growing customer base.

There are approximately 190 insurance companies operating in Switzerland and the most notable groups are Zurich Insurance Group, Chubb, Swiss Re and Swiss Life (About Switzerland, 2024) The site also tells that Zurich Insurance Group is one of the world's leading multi-line insurance companies and largest private insurer operating in the country.

Mutual funds

A mutual fund is a money gathering pool where investors put their money to be able to buy stocks, bonds or securities (Hayes, 2025). According to Hayes, usually a fund manager oversees the investments of the fund and then every investor gains a share if the

investments gains profit. Gaining profit is the main objective of a mutual fund because according to Hayes the managers are doing research of which stocks to include in the fund and making calculations. When talking about mutual funds a term diversification is usually brought up because there are multiple types of different mutual funds. For example, some are focused on the environment, technology and healthcare. When a person wants to invest in a mutual fund it is basically hiring of a professional investor (Hayes, 2025).

Hayes (2025) has listed top mutual funds which on the other hand are the largest mutual funds and they are called: Vanguard 500 Index Fund which mainly tracks the S&P 500 index, Fidelity 500 Index Fund which invests into technology, financial, healthcare, and consumer companies, T. Rowe Price Dividend Growth Fund which is mainly targeting financially stable companies, Fidelity ZERO International Index Fund which focuses on international companies and lastly Vanguard Total Bond Market Index Fund which focuses on U.S bonds.

When a person invests into a mutual fund, a fee is paid to maintain operative costs, management fees, administrative costs and marketing fees (Hayes, 2025). The fees affect the total return of the fund when subtracting them from the profit.

Pension funds

Pension funds are used to fund the time of retirement of employees. The pension fund is a money pool which is paid out at the time of retirement (CFI Education Inc, n.d.). Pension funds can be considered as a rather special financial intermediary due to their channeling of savings to investments through the capital market (Bogdan et al, 2025). Bogdan et al. adds that through the capital market, pension funds directly influence the growth of national and individual savings while contributing to economic growth.

The importance of pension funds for society by Bogdan et al. is explained that the pension funds play a massive role in well-being and ensure the predictable income during

retirement. In addition, Aggarwal & Goodell (2013, p. 1861) say that pension funds and plans are important for most companies as they represent the employee benefits while being a huge expense. In Switzerland, pension system including funds has been mandatory since 1985, called as a second pillar occupationally funded system (Weber & Gerber, 2007, p.3). Weber & Gerber add that Switzerland has private pension savings exceeding GDP by 100 %. Generally, pension funds gain revenue by generating profit in stock and bond markets. The traditional way to invest pension funds is splitting its assets into real estate, stocks and bonds (Whiteside, 2024).

Commercial banks

Commercial banks are financial institutions offering various types of transaction services by acting as intermediaries (Machiraju, 2008, p. 49). Commercial banks usually offer these products and services to companies, belonging to group of the sellside institutions (Bloomberg Finance Fundamentals, 2025). The commercial banks serve also individual consumers (Kagan, 2025). For retail customers the commercial banks offer banking services, for example checking and savings accounts, debit card transactions and safe deposit boxes. Regarding the lending services, these institutions offer loans and mortgages, lines of credit and letters of credit. Regarding investment services, which they also offer to retail customers are for example, Certificates of deposit (CD's), retirement account services and investment portfolio services (Kagan, 2025). From these business banking side, the commercial banks offer bank accounts, investment and lending products. Kagan also tells as an important point that the commercial banks are turning their services and products more often towards the internet and this reduces the costs of the business, lowering costs for the customers as well.

Commercial banks make money charging fees which may vary based on the product (Kagan, 2025). Kagan mentions that the fees can be for example account fees, such as monthly maintenance charges, overdraft fees, minimum balance fees and non-sufficient funds (NSF-charges). According to Kagan banks also make money from interest spread meaning that the interest rate they charge from their clients is bigger than they pay for

deposits by households. Here is a simple calculation of what happens with the spread of interest. Bank charges 4.25% and credits 0.25% for trust to households. The interest spread is now 4.00%. For every hundred euros lent, the bank earns 4.25 euros in interest, while only paying interest 0.25 euros to depositors resulting in 4-euro profit.

$$4.25\% - 0.25\% = 4.00\%$$
$$(100€ \times 0.0425) - (100€ \times 0.0025€) = 4.00€$$

Investment banks

Investment bank is financial institution operating in the sellside of the financial system (Bloomberg Finance Fundamentals, 2025). “Investment banks facilitate major corporate transactions, including initial public offerings (IPOs) and mergers, acting as intermediaries between corporations and financial markets” (Hargrave, 2025) The structure of investment banking firm is divided into three categories. The categories are front office, middle office and back office (Mergers & Inquisitions, n.d.)

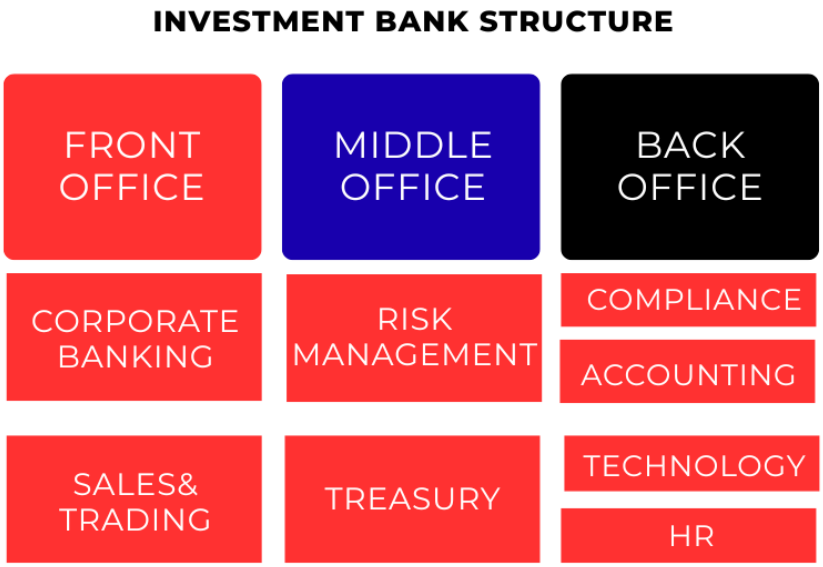

Figure 2. Investment banking. (Adapted from Mergers & Inquisitions, n.d.).

Front office of an investment bank is crucial part of the firm´s structure. Corporate finance and sales & trading are key components. The main function for the front office is to generate revenue (Mergers & Inquisitions, n.d.) Mergers & Inquisitions also tell that the other two parts in the structure are important and the middle office supports processes related to front offices duties. Risk management and treasury are key components in this part. The third part, called back office oversees compliance, accounting, information technology (IT) and human resources. Mergers & Inquisitions say that the roles can be divided into three categories to be understood easier, which are revenue-generating roles, risk-related roles and support roles.

Investment banks can be divided into two different categories which are bulge bracket banks and boutiques (Gutmann, 2013, p. 31) Gutmann mentions that the size difference between these categories is remarkable, which can be seen on the products and services

they offer. The bulge bracket banks are operating globally around the world handling business with biggest investment banking clients while the boutique investment banks tend to have smaller clients with limited amount of services. Bulge bracket investment banks operations are generally divided into two categories which are product groups and industry groups (Gutmann, 2013, p. 34). Product groups which bulge bracket investment banks may offer are mergers and acquisitions (M&A), leveraged finance, restructuring, project finance/public finance, equity capital markets (ECM) and debt capital markets (DCM) (Gutmann, 2013, p. 35) Gutmann tells that the industry group's job is to offer their services to companies in specific industries. The common industries which investment banks offer their services can be consumer/retail, financial institutions (FIG), healthcare, industrial and transportation, natural resources, power and utilities, real estate, technology, gaming, telecom (TMT) and financial sponsors. Boutique investment banks have smaller amount of these services available but still there can be quite large boutique banking players on the market.

Credit rating agencies

Credit rating agencies (CRA's) offer services and information for investors to understand risks associated with different investments or financial instruments (European commission, n.d.). Credit ratings are usually associated with different countries linked to economic growth and other factors. Moreover, Credit rating agencies are counted to sellside on the financial system (Bloomberg Finance Fundamentals, 2025). That means that credit rating agencies work closely with corporations.

Examples of credit rating agencies are Moody's, Fitch and Standard & Poor's (S&P). Moody's is more country-oriented credit rater whereas Fitch is more for companies (Finney, 2023). This trio is called the Big Three in the industry. However, in Switzerland the supervised institutions (e.g. the financial sector) must use the agencies recognized by Swiss Financial Market Supervisory Authority (FINMA) to meet the minimum requirements (FINMA, n.d.). The recognized credit rating agencies are A.M. Best Rating Services, DBRS, Morningstar, Fedafin, Fitch Ratings, Moody's Investors Service, Scope Ratings and

S&P Global Ratings which are mentioned on the site of FINMA. However, FINMA has international requirements. “The standards that FINMA expects rating agencies to meet are based on those defined by the International Organization of Securities Commissions (IOSCO) and the Basel Committee on Banking Supervision (BCBS)” (FINMA, n.d.).

The credit rating agencies may have several income streams and as an example the largest one, Moody’s, makes money by debt paid by borrowers which monitors and assigns the credit ratings (Moody’s, n.d.)

Brokers

Brokers act as intermediaries between an investor and a securities exchange, charging fees and commissions for their services (Smith, 2025). Smith adds that the broker can be an individual or a company and there are many kinds of brokers such as stockbrokers and real estate brokers. Real estate brokers typically represent the seller of a property handling tasks such as determining the market value of the property, advertising the property and submitting offers to the seller (owner of the property) while the stockbrokers are primarily focused on buying or selling securities such as stocks and bonds. According to Bloomberg’s educational system, brokers are counted as factors from the sellside, meaning that they serve companies (Bloomberg Finance Fundamentals, 2025).

Brokers create revenue through a variety of fees such as account maintenance fees, commissions, advisory fees and other service fees (Smith, 2025). According to FINMA, there are at least three foreign-born brokerage companies which have enlarged their operations to Switzerland and these companies are TP ICAP E&C Limited, Kyte Broking Limited and Interactive Brokers (FINMA, 2025). These companies are operating in country´s largest financial hubs including Zug and Geneva.

2.2 Defining headquarters and its functions

Headquarters are the company's main location where it manages its operations and resides the management team (Zhou et al, 2023). Corporate headquarters (CHQ) can be seen as very important component in firm´s business activities (Rao, 2015). As we discussed earlier in this thesis, there are other kinds of headquarters than just the corporate headquarters. Companies may also have regional headquarters (RHQ)'s and national headquarters, referring to the highest unit of transnational corporation. Companies might also have secondary administrative units and operational units operating more or less in a regional role (Rao, 2015). Rao adds that maximizing profits and minimizing costs are very important variables regarding headquarter location choices and separating good options from the best. Also, the quality of life can be seen as an important factor for deciding where to locate headquarters.

Regarding the different roles of headquarters, the corporate headquarters can be seen as the as the decision maker controlling the lower units in the company. As complexity increases, headquarters need to reorganize their business, for example by establishing regional headquarters or relocating functions to strategically important markets (Ciabuschi, Dellestrand & Holm, 2012). According to Ciabuschi et al, the relationship between corporate headquarters roles and functions and the complexity of external and internal environments can be seen as an inverted U-shape model. First, there is a learning process which a firm must proceed with and then there is a re-design process where the company needs to reorganize their models. This model is portrayed below.

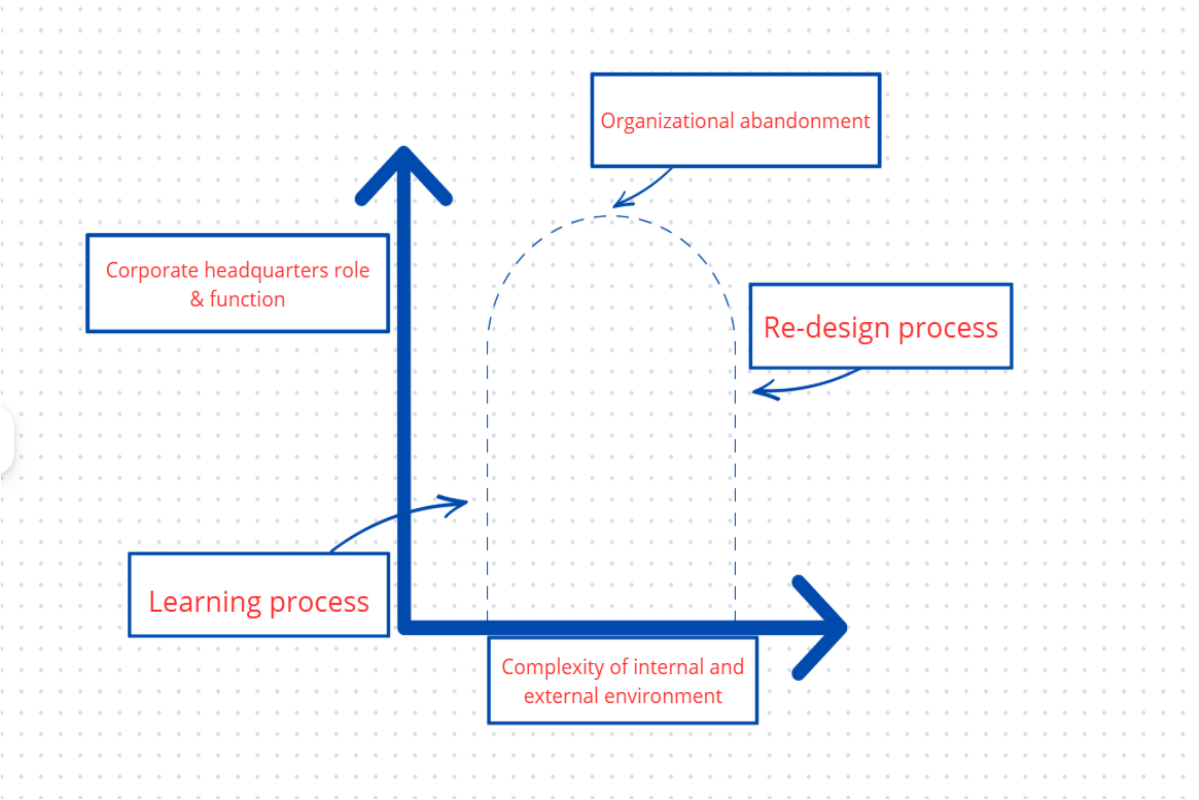

Figure 3. U-shape relation model (Ciabuschi, Dellestrand & Holm, 2012).

It is worth noting that, as an example, multinational corporations' headquarters have different levels of knowledge and therefore differing functions. Subsidiaries with HQ functions may lose connections to the CHQ because of the uncertainty of knowledge levels (Ciabuschi et al, 2012). The top management teams at the CHQ may not receive the important knowledge from subsidiary level. The knowledge levels are portrayed as a pyramid where the corporate headquarters sits at the top and the subsidiary level HQ functions at the bottom. This specific pyramid is portrayed below (Figure 4.). Due to the relationship's challenges between CHQ and subsidiaries with HQ functions, regarding to CHQ's limited information of the foreign market where the subsidiary is located, allows the subsidiary to work autonomously (Ciabuschi et al, 2012). The autonomous subsidiary has more knowledge than the CHQ, which is an advantage for CHQ, in order to manage world-wide operations.

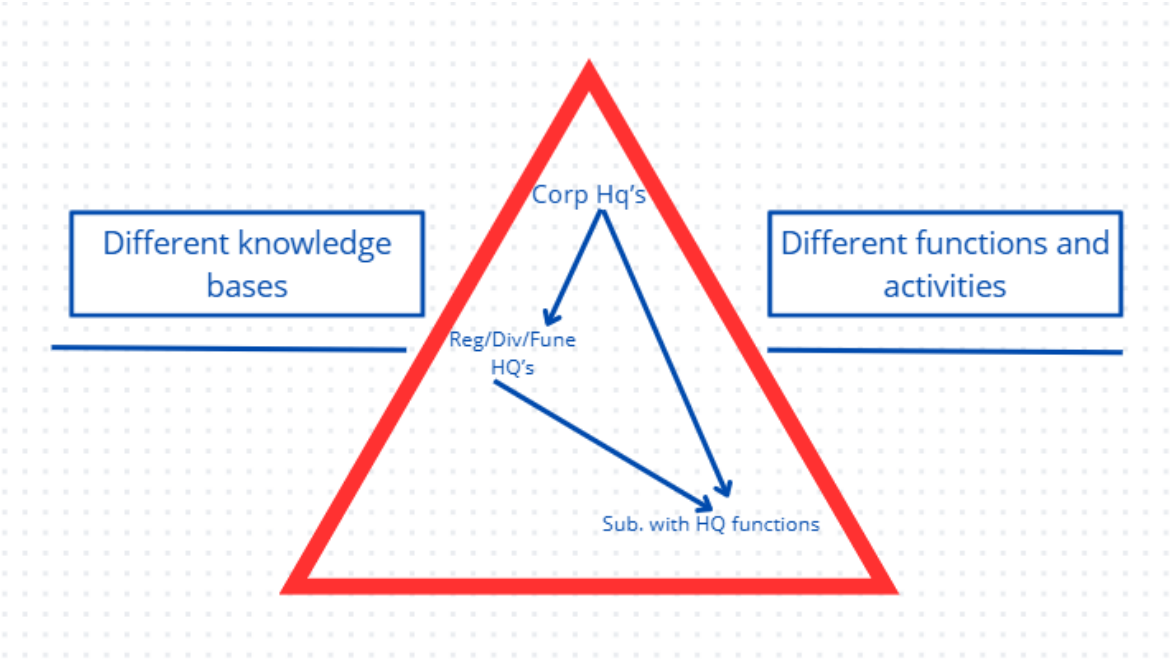

Figure 4. Functions and knowledge (Ciabuschi, Dellestrand & Holm, 2012).

Regarding our thesis work, locating the financial firm's headquarters to Switzerland is key area to fill. As we know, some firms enlarge their operations to Switzerland from another country meaning that they relocate their headquarters, while others set up their first office to Switzerland rather than to any other places. According to Rao (2015) the corporate headquarters' movement is a discrete and rare event, and it is worth noting that in the background there is a trigger event. Rao (2015) has listed triggering events for example, startups; expansions; mergers and acquisitions; outgrowing the current location; and external business factors.

2.3 Country characteristics of Switzerland

Switzerland officially known as the Swiss Federation is country located in Central Europe, known for its Alps, neutrality and multicultural society. The country has four official languages: German, Italian, Romansh and French. As a federation, the country is divided to 26 cantons. Switzerland is famous for having high standard of living, strong economy and reliable banking sector.

Switzerland´s capital is Bern and the currency used is Swiss Franc (CHF). With population of approximately 8.7 million in 2023 and an area of 41 290 km ², Switzerland is densely populated country. 73 percent of the inhabitants living in Switzerland is country´s own people and 27 percent is foreign people living in Switzerland. Based on the data, foreign nationals leaving or arriving mainly come from Europe (Federal Statistical Office, 2024, p. 7). Switzerland is not member of the European Union (EU), but it is part of the Schengen Area and a part of the European Free Trade Association.

Regarding the Swiss economy, the country is one of the wealthiest in the world, dominating in high-tech industries, banking services and tourism. Switzerland is home to several globally known companies, such as UBS, Nestlé and Roche. In the year 2024, the gross-domestic-product (GDP) was 936,56 billion (World Bank Group, 2025). According to World Bank Group, the GDP per capita was $103669,90 USD in the year 2024. Overall, the GDP per capita does not give information about how the wealth has been shared among the households but still it gives a good sight about the economic situation in the country. Inflation rate affecting consumer prices was 1.1 percent in the year 2024 (World Bank Group, 2025). This is due to several reasons and Switzerland has been successful keeping the inflation low over time (World Bank Group, 2025). The main reasons are strong and reliable currency, good monetary policy, low energy prices, efficient markets, stable housing market, global trade and low wage growth.

Location of the corporation is one of the building blocks for running a successful business (Florida, 2020). As mentioned in the article, the driving factor is accessibility to highly educated and skilled people where Switzerland comes into play. There are plenty of good finance schools operating in Switzerland with highly skilled tutoring and these schools consistently produce new skilled labour for companies (Swissuniversities, 2024).

2.4 Determinants of locating foreign financial firms' headquarters in Switzerland

Foreign banks are important part for the Swiss economy bringing competition, innovation and expertise to Swiss financial markets affecting positively to the quality of business and operations which institutions offer to their clients (Baumann, 2025). In Switzerland, there is an institution for foreign banks informing necessary regulatory policy changes and other important matters regarding the industry. This association is called, Association of Foreign Banks in Switzerland. (AFBS). CEO of this association Adrian Nösberger tells that "Foreign banks are essential in maintaining choice and flexibility within Switzerland's diverse and resilient banking sector" (n.d.). There are total of 82 foreign-born banks operating in Switzerland nowadays and the first foreign bank opened its doors back in 1872 according to AFBS. In addition, the foreign banks host a significant number of jobs in Switzerland total of approximately 16 255 jobs in 2025.

Finding a perfect spot in foreign financial markets can be long and frustrating process and therefore associations like AFBS secures the building blocks for foreign-born financial firms entering Switzerland and helping to find the sweet spot in markets. These types of associations operating in Switzerland only tell that there are magnificent types of determinants for locating foreign financial firms´ headquarters in Switzerland. Now we are introducing the main advantages for locating headquarters in Switzerland.

2.4.1 Economic competitiveness

Switzerland is an advanced high-income economy constantly ranked in top ten economies by GDP per capita (World Bank, 2024). Furthermore, Switzerland is ranked at the most competitive country in the world (IMD, 2025). In recent years Switzerland has managed to hold their position in the top three on the list. IMD is short for International Institute for Management Development, and the grading scale is based on different

sectors, them being economic performance, government efficiency, business efficiency and infrastructure. These are the components IMD grades and based on the overall results, Switzerland lands to first spot in 2025.

According to IMD, the most notable and carrying sectors behind the country´s success are infrastructure, business efficiency and government efficiency. The economic performance of the country has received notably lower points compared to other sectors, but still having a major impact on overall success. In economics understanding the monetary flows is very important and one thing which sets Switzerland apart from its peers in Europe is their own currency Swiss Franc (CHF). Swiss Franc is reliable and strong currency which is major asset when there´s instability in global economy. Strong currency keeps the inflation down which has its own benefits for both households and companies (Hollenstein & Stucki, 2018). Comparing Switzerland's competitiveness against other main rivalries in the financial industry, we can see that for example, in 2025 Hong Kong ranked 3rd overall, the United States ranked 13th overall, Germany ranked 19th overall and the United Kingdom ranked 29th overall. These countries are home to the largest financial hubs around the world (Long Finance, 2024).

Switzerland is in the heart of Europe and as you may already know, many of European countries are part of the European Union (EU). For Switzerland this isn´t the case. Switzerland doesn´t belong to EU but still they are part of the European Free Trade Association (EFTA) which promotes free trade between its members (EFTA, 2025).

Not only the economic competitiveness in Swiss banking & finance act as a benefit for foreign-born financial firms, but furthermore the foreign financial firms act as an advantage to Swiss financial markets as well. They bring competition and offer a variety of new products and services to markets (Baumann, 2025). From here, we understand that having foreign-born financial firms in Switzerland has a major impact for country's success and reputation in global finance industry.

Economic competitiveness acts as a base layer for the other topics we discuss in this thesis. Labour, infrastructure, tax system, markets, institutions and location are very important components driving financial firms into the country. Based on the above discussion, following proposition is developed:

Proposition 1. Switzerland's economic competitiveness positively influences the foreign financial firms' decision to locate their headquarters in Switzerland.

2.4.2 Attractive tax system

Switzerland's tax system is characterized by numerous elements of determinants of attractiveness (Marti & Desax, 2009). Firstly, reviewing the cantons, there are 26 cantons which are regarded as sovereign but still work under the confederation. Every canton can impose taxes and other fees autonomously for covering the costs (Marti & Desax, 2009). Therefore, the taxation differs between cantons which will give more opportunities to companies to make investments or locate headquarters in Switzerland. Overall, the whole federal tax system model is separated into three entities, federal, cantonal and communal (Federal Department of Finance FDF, 2024).

Switzerland is at a top of world's tax havens (Goetz, 2025). A tax haven is a country which offers businesses and individuals minimalistic tax rates (The Investopedia Team, 2025). Switzerland having low tax rates is a massive determinant for the Switzerland attractiveness in a global competitive environment. High-network-individuals looking for a space to bank their money in consider Switzerland. According to Goetz (2025) foreign individuals cannot live and bank assets are tax-free. Goetz says, "wealthy individuals can pay a low, lump-sum option on the money they bank inside the country, and the government considers their taxes paid". Goetz specifies that the foreigners owe the government the tax seven times their monthly rent. For foreign financial firms there are plenty of reasons to set a headquarter or office in Switzerland (Goetz, 2025). There are tax breaks for companies which hold 10% of shares of other corporations. Therefore, the amount of taxes owed by corporations is reduced by the government on a profit basis.

Corporate taxation in Switzerland on corporate income differs if the company is resident or non-resident (PwC, 2025). The direct corporate income tax (CIT) is levied on resident company from their taxable income generated in Switzerland. According to PwC the CIT is levied at federal, cantonal and communal levels. The non-resident companies “may be subject to Swiss CIT if they (alternatively) have a PE in Switzerland, own real estate property in Switzerland, are partners of a Swiss business, have loan receivables secured by a mortgage on Swiss real estate property, or deal with or act as a broker of Swiss real estate property” (PwC, 2025). The PE stands for a permanent establishment. The CIT at federal level is 8.5% on profit after tax for companies and according to PwC (2025) the CIT may be deductible for tax purposes resulting in the CIT being approximately 7.83%. The PwC says that no corporate capital tax is levied at federal level.

On communal and cantonal levels, the corporate income tax varies from canton to canton and community to community and some taxes are imposed as a progressive tax (PwC, 2025). Moreover, the overall tax rate may differ based on location in Switzerland. PwC says, “As a general rule, the overall approximate range of the maximum CIT rate on profit before tax for federal, cantonal, and communal taxes is between 11.9% and 20.5%, depending on the company’s location of corporate residence at a specific capital of a canton in Switzerland”. These kinds of taxation rates are not the highest international

Switzerland as a location for holding companies improves Switzerland’s attractiveness and the holding company’s opportunities as holding companies play as a vehicle attracting foreign direct investment (Cárdenas Cárdenas & García Gamez, 2015). According to Cárdenas Cárdenas & García Gamez a foreign direct investment has worked as a factor in attracting holding companies in a variety of countries. They tell that for example Holland and Luxembourg are continuing to improve taxation laws to attract more holding companies. It is worthy to say that a holding company is a company holding and managing shares of national or foreign companies that may receive tax benefits after fulfilling the requirements (Cárdenas Cárdenas & García Gamez, 2015). When a holding company

is mostly used in tax reduction purposes, Switzerland's attractive tax system offers benefits.

In Switzerland the policy against holding companies varies between the confederation and cantons and overall, the whole Swiss tax system is a refection of the federation's system (Cárdenas Cárdenas & García Gamez, 2015). Below is explained how the holding company's type affects the taxation whether participation reduction or total exemption. It is worth explaining these types for better understanding. Firstly, a pure holding company manages and owns other companies and does not involve in the firm's operative business administration whereas mixed holding company combines the ownership of other firms with own operative activities (Hayes, 2025).

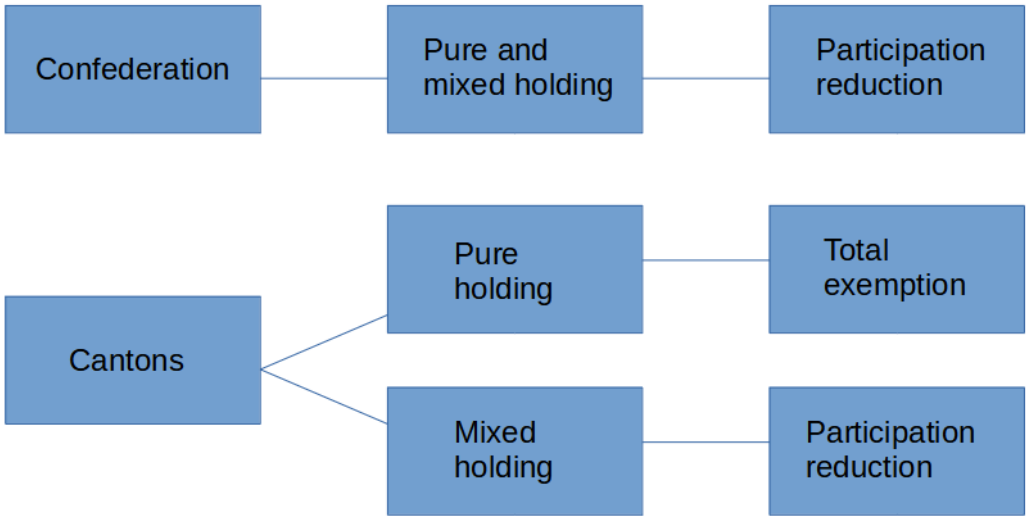

Figure 5. Tax regimes applicable to holding companies in Switzerland (Adapted from Cárdenas Cárdenas & García Gamez, 2015).

Based on the discussion of the tax system above, following proposition is developed:

Proposition 2. Switzerland's attractive tax system positively influences the foreign financial firms' decision to locate their headquarters in Switzerland.

2.4.3 Skilled labour

Switzerland has population over 9 million people and in the last years it has been growing annually approximately little over 1 percent (World Bank, 2024). Regarding overall employment in Switzerland the statistics show that employment has been growing by approximately 13.15 percentages and the total employment in 2024 was 4 315 403 workers (State Secretariat for International Finance, 2025). The statistics highlight the amount and development of people working in the Swiss financial sector and there has been a slight increase from 2014 to 2024 by 5.54 percentages. In 2024 there were total of 226 484 people working in the Swiss financial sector. The amount of the overall employment in Switzerland the percentage of people working in the financial industry has decreased by approximately 7.1 percent from 2014 to 2024 (State Secretariat for International Finance, 2025). As conclusion we can see that the Swiss financial sector attracts labour but so does the other industries.

Switzerland has reputation for being an innovative place and the country is home to 500 fintech startups, 1800 blockchain companies and they have used over 1.6 trillion Swiss Francs (CHF)`s in sustainable investments. Switzerland is ranked first in cross-border wealth management and carries approximately CHF 3.7 trillion in assets for international clients (Finance Switzerland, 2025).

As we discussed earlier, employment in the financial sector has increased over time in last years. In 2024 there were 110 008 people working in banks while in 2014, the number was slightly higher being 118 928. The difference is approximately 7.50 percent (State Secretariat for International Finance, 2025). Insurance firms have attracted more people over time and in 2024 -> 44457 people worked in insurance companies. There´s been a slight increase of 3.40 percent. What really has seen a major increase is activities auxiliary to financial services and insurance activities regarding the same statistics. There were total of 72 019 people working in that sector and the amount has increased from 2014 by almost 37 percent (State Secretariat for International Finance, 2025). The activities auxiliary to financial services and insurance activities regarding the same statistics

consist of brokers, management of mutual funds, other investment funds and pension funds (NER Institute, 2025).

Hosting a steady background for skilled labour in Swiss financial industry is country´s appreciated educational system. There are lots of banking and finance educational institutions across the country constantly producing new skilled labour to the markets (Swissuniversities, 2025). The site covers strategic plans for 2025 all the way to 2028 highlighting key areas such as promoting young talent and enabling careers, ensuring excellence in international careers and shaping and managing the digital transformation.

One of the most appreciated accreditations among the financial and banking education is AACSB, standing for Association to Advance Collegiate Schools of Business (AACSB International). According to the official site of the organization, there are ten schools in Switzerland carrying AACSB accreditation, which are EHL Hospitality Business School SA, IMD, Lucerne University of Applied Sciences and Arts, OST Eastern Switzerland University of Applied Sciences, School of Management Fribourg HEG-FR, University of Applied Sciences and Arts Northwestern Switzerland (FHNW), University of Geneva, University of St. Gallen, University of Zurich and ZHAW. There are many other well-known schools in the country as well producing high quality workforce to labour markets.

Taking a look of the labour productivity in Switzerland, the country is ranked fourth overall (OECD,2022). As conclusion, we can see that as a country Switzerland´s situation in productivity looks good and it performs well against its peers. Diving deeper into how productivity is divided in the country measured in local currency CHF, the financial and banking sector have declined slightly from the 1990´s to 2017 according to most recent figures (World Bank, 2025). World Bank´s chart shows trade and manufacturing have seen steady upturn in the same period which has had big impact on the country’s productivity growth over time. Banking and finance sectors have still major impact on country´s productivity, being factors which help other industries to develop (Ollivaud, 207).

Switzerland attracts foreign labour due to several reasons (Leisibach, 2025). Leisibach tells that Switzerland offers a fruitful environment for career development and there´s high standard of living. Immigration is crucial part for innovation and economic growth in the country. Collaboration with cross-border workers enhances innovation. As we discussed before, the foreign-born financial firms host significant number of jobs in finance & banking industry in the country and foreign expertise and skills are also brought cross-borders to Switzerland (Baumann, 2025). Baumann adds that bringing foreign talent to labour markets and to financial firms´ can open new opportunities and sights for succeeding in business. Foreign labour acts also as bridge to cross-border units. People from abroad come to Switzerland for several reasons which are for example high salaries, good career opportunities and great job environments. Based on the above discussion, following proposition is developed:

Proposition 3. Switzerland's skilled labour positively influences the foreign financial firms' decision to locate their headquarters in Switzerland.

2.4.4 Prime/central location

Locating a headquarter in Switzerland does not only work as a hub in Switzerland but in whole Europe as Switzerland stands in the middle of the continent. On behalf of other factors of Switzerland's attractiveness, the physical location of the country as a factor makes a huge impact on the headquarters' location as it is surrounded by the European market with over 500 million customers (GGBA, n.d.). The central location provides an easy access to every direction within Europe, which is equally important for customers and businesses. The physical location comes with a multilingualism as Switzerland is bordered with France, Italy, Germany, Austria and Liechtenstein. Having four languages spoken in the as dense country as Switzerland creates a bridge between bordering countries.

While being located in the heart of Europe Switzerland has a very centric time zone. Having the UTC +1 as a time zone brings a strategic advance (Switzerland Global

Enterprise, n.d.). The strategic advance regarding time zones is basically the fitting working hours when connecting to other side of the world. For example, when taking a contact to North America from Switzerland, in America people are starting the workday in their global firms and on the other hand in Asia people are still working when in Switzerland people and the management team are starting the workday. Time zone for a global firm having a headquarters in Switzerland can be one of the key factors for the headquarter location decision because not being able to contact to other side of the world can be crucial if there is a huge time difference between companies. For example, worldwide operations may be hard to execute. This also may affect work well-being what is more important in today's world when talking about working hours.

According to Switzerland Global Enterprise the environment for supply chain operations in Switzerland is resilient. Having the excellent public infrastructure in Switzerland while it being connected to neighboring countries. Switzerland Global Enterprise says, "At the intersection of different cultures and as an important transport hub, it connects north and south, east and west". The transportation on roads automatically makes Switzerland rather global and international due to languages, as we previously mentioned because the communication has developed multilingual for hundreds of years due to the location between other major European countries, and the connectivity between them. In addition, Switzerland Global Enterprise says that Switzerland having three international airports in the country enables businesspeople to reach every other major financial hub withing two hours in Europe. Having short distance for example to Frankfurt Am Main, Paris and London which are considered one of the biggest financial centers in the world.

Supply chain management benefits from country´s central location. The supply chain management means the whole design and operation of the chain of raw materials to final product delivery to final customer (Cordon, et al., 2012). In Switzerland the strategic supply chain can be easily executed due to neighboring countries having very different kinds of supplies. For example, wine is imported from France. According to Trading

economics (2025) Switzerland imported beverages approximately worth of $716.95M USD from France in 2024.

As we discussed earlier, Switzerland is not part of European union and while the other neighboring countries except Liechtenstein belong to EU, having a steady network to do business with other countries like Germany and Austria which belong to EU is crucial. This has been considered since there is so called Schengen agreement which provides free movement in other Schengen countries while not being a member of European Union. Being part of the free movement agreement is crucial, for example for supply chain management, transportation and logistics, because if people cannot move easily through borders nor can goods.

Switzerland's location in the middle of Europe and the countries surrounding it all belong to European Union except Liechtenstein; the neighboring countries offer solid platform to do business and via bilateral trade agreements Swiss companies can benefit of larger markets (SIGTAX, 2024). In addition, European Union offers perks to its members but there are also downsides to belonging to Union, for instance Switzerland has its own monetary policy but being part of the Union means that monetary policy is Union wide. Therefore Switzerland´s position for having larger markets and not being part of the Union can increase foreign businesses willingness to enlarge operations to Switzerland due to their independence but also for great bilateral agreements enabling EU markets. In 2024 European Union's top 4 trading partners were in order: United States, China (Hong Kong excluded), United Kingdom and Switzerland (European Commission, 2025). A small country like Switzerland holding the fourth place regarding the statistics acts as guarantor for this information we provided. Based on the above discussion, following proposition is developed:

Proposition 4. Switzerland's prime location positively influences the foreign financial firms' decision to locate their headquarters in Switzerland.

2.4.5 Excellent infrastructure

It is worth noticing that Switzerland's excellency in infrastructure's planning and executing does not only include road networks. On the other hand, digital, economic and specifically financial infrastructures are highly taken for granted when talking about Switzerland's attractiveness. Therefore, Switzerland's attractiveness related to infrastructure can be divided into financial, economic and digital infrastructures. The definition of the whole infrastructure includes topics discussed previously in this research. Furthermore, "A clear definition for infrastructure is, therefore, critical so that investments in those assets provide the intended benefits of diversification, stable and predictable cash flows, and inflation protection" (Wong et al, 2020)

The financial market infrastructure is one of the key elements of Switzerland financial system (Gisiger & Weber, 2005). According to Gisiger & Weber Switzerland being the home some of the world's biggest multinational companies whereas they cover a huge part of their capital requirements through the Swiss financial infrastructure. The entire system is built to attract and last foreign companies and investments due to the trust towards Switzerland's proficiency in the financial markets. Gisiger & Weber add that the financial market infrastructure includes three elements, the stock exchange, the clearing and settlement provider and the gross settlement payment system. Foreign banks play an important role regarding clearing, securities and stock exchange issues (Baumann, 2025). Baumann tells that the second largest clearer of Swiss Francs is foreign-born financial firm. One example of financial infrastructure company is SIX GROUP which owns the SIX Swiss exchange. As previously mentioned of the capital requirements, the stock exchange plays a huge part in it.

According to FINMA (n.d.) the financial infrastructures which are included in financial market infrastructure include "stock exchanges and other trading venues, central counterparties, central securities depositories, payment systems and trade repositories".

Switzerland's excellency in infrastructure in attracting foreign businesses also has a lot to do with economic infrastructure. The economic infrastructure is a huge factor when talking about attractiveness of the state. The definition of economic infrastructure according to Wong et al (2020) is the long-lived capital-intensive assets which provide services or facilities for state or municipality. Examples of these assets are roads, which in Switzerland play a crucial part as previously said in location determinant and wireless towers for networking and having a stable internet connection. Switzerland has access to high quality networks which is straightly linked to the economic state of a country. For example, the poorest countries may not have access to Internet but according to Switzerland Global Enterprise (n.d.) around 95 % of Swiss households have a broadband Internet access. The internet access is included also in the digital infrastructure but in the name of attractiveness of state the digital infrastructure is important but not that impactful than economic or financial market infrastructures. Another factor included in the economic infrastructure is energy and according to Switzerland Global Enterprise Swiss energy sector is reliable and secure. Stability of state is one of the most impactful factors a country can have according to its attractiveness within the energy and ICT sectors. For example, a country where a gas outage is rather common does not sound a very attracting when compared to a secure nation like Switzerland. Stability can be considered an important factor in every determinant. Based on the above discussion, following proposition is developed:

Proposition 5. Switzerland's excellent infrastructure positively influences the foreign financial firms' decision to locate their headquarters in Switzerland.

2.4.6 Institutional support

In order to host stable and reliable finance & banking markets there has to be regulations for parties to follow. As we discussed earlier in this thesis, the regulators have their own place in the financial system overseeing the competition and keeping the game clean (Bloomberg Finance Fundamentals, 2025). In Switzerland this has been taken care by the country´s financial market supervisory (FINMA). FINMA´s main task is to supervise

different parties and groups of the financial system such as banks, insurance companies and financial institutions (FINMA, 2025). FINMA covers the security and fairness of the markets to keep them functioning efficiently. Safe and stable environment is one of the key things when considering operations enlargement.

Swiss National Bank (SNB) has an important role keeping the financial markets secure and competitive alongside FINMA (Swiss National Bank**,** n.d.). SNB´s key tasks such as keeping the monetary policy in control, promoting financial stability and giving out statistics of the economic situations. Their key parts for keeping the monetary policy in control are price stability and keeping inflation low. According to World Bank, Switzerland has succeeded in these areas which promotes country´s competitiveness overall (World Bank, 2025).

When it comes to locating headquarters and settling business operations in Switzerland, there are institutions and associations helping in that process. Association of Foreign Banks in Switzerland (AFBS) is an association for helping foreign-born financial firms finding their spot in Swiss finance and banking platform and giving information of the most recent regulatory changes (AFBS, n.d.). In addition, many notable financial firms are collaborating with this association such as Bank of America, JPMorgan Chase, AXA Investments Managers, Santander, Barclays, Citi bank Goldman Sachs, IG bank, StateStreet, MorganStanley, Investec, HSBC and Bank of Africa (AFBS, n.d.).

Locating headquarters or other business operations abroad can be challenging but in Switzerland there are institutions helping in the process and as an example Swiss Global Enterprise (S-GE) helps businesses in discovering opportunities, gaining insights of the markets and building strategic connections. S-EG is an official partner of the Swiss government and has helped foreign businesses from 1927 to current with their plans locating headquarters in Switzerland. Based on the above discussion, following proposition is developed:

Proposition 6. Institutional support in Switzerland positively influences the foreign financial firms' decision to locate their headquarters in Switzerland.

2.4.7 Large market size

When taking a look of the Switzerland´s Gross Domestic Product (GDP) development, we can see that it has been growing since 2014 to 2024 -> 23.89 percent (State Secretariat for International Finance). The statistics also show that percentages for how much the Swiss financial sector has added value to GDP and the trend has decreased from 2014 to 2024 by approximately 9.1 percent even though the total added value of financial sector in Switzerland has increased approximately 12.6 percent. This means that the financial industry´s development chart has seen upturn but at the same time so have the other industries managed to grow positively their businesses. In the year of 2024 Switzerland´s finance industry added value with amount of 74 billion Swiss Francs (CHF) to country´s GDP while in 2014 the number was 65.7 billion Swiss Francs (State Secretariat for International Finance).

When comparing Switzerland to other major financial centers around the world such as the United States of America, Singapore, Luxembourg, United Kingdom and Germany, the Swiss economy relies to its financial sector by approximately 9 percent settling to a third most reliable to its financial sector among these countries in 2024 (State Secretariat for International Finance). The data shows that only Luxembourg's and Singapore's economies relied more on their financial sectors. According to this data, we can see that the financial sector has significant impact to Switzerland´s economy.

Swiss banking industry contains banks and institutions offering financial services such as savings, loans, mortgages and related services to consumers and businesses (MarketLine Industry Profile 2024). The profile description tells also that the Switzerland´s portion of total European banking industry´s value in 2023 was 5.2 percent and the key players in Swiss banking industry are UBS Group, Zurcher Kantonalbank, Raiffesen Schweiz and Banque Cantonale carrying large market share of 64.6 percent in 2023. Evolving markets

and dynamics changing constantly, the competitors are willing to gain competitive edge through strategic alliances, acquisitions and digital improvements. In 2024 Swiss banking market value was CHF 3219 billion (Swiss Federal Department of Finance, 2024). The amount converted to USD is $4078154319000.00 on 17.10.2025.

Switzerland is committed keeping finance & banking industry booming and competitive. Marcel Rohner (2025) says on the press release: “The Swiss banking center is ideally equipped to play a leading role, now and in future, both at home and abroad. We want to take care of our banking center and shape it with ambition – in line with our tradition of excellence, trust, integrity and stability. That is how we will remain globally relevant and viable going forward. It is our responsibility, and our opportunity.”

Foreign-born financial firms seek stability and reliability for locating their assets and headquarters, there Switzerland steps in offering steady and stable platform to do business (Baumann, 2025). Baumann adds that Swiss Franc is a stable currency, and the foreign banks want to issue their products and services to Swiss markets due to this reason in Swiss Francs. Switzerland offers safe and high-liquidity platform for its players. Based on the above discussion, following proposition is developed:

Proposition 7. Switzerland’s larger market size positively influences the foreign financial firms’ decision to locate their headquarters in Switzerland.

2.4.8 Openness

Globalization has created lots of opportunities for businesses around the world (Föllmi et al, 2018). Moreover, the text states that openness can be divided into two main categories, which are de jure and de facto openness. De jure refers to degree of political restrictions on international trade flows while the de facto describes economy´s connectivity to global markets, measured by the actual movement of goods, services and capital. In this thesis, we are concentrating on these two key categories and their value in Swiss economy.

Openness has a connection with productivity, and it boosts competition in markets (Föllmi et al, 2018). Competitiveness is a base layer for markets and as we discussed earlier in this text, the foreign skilled labour is important for Swiss markets further increasing expertise and innovation (Zheng, 2025). Therefore, having openness among labour is very important for maintaining the reputation of being top financial districts worldwide. Openness grants new opportunities for business and households (Baumann, 2025).

In the most recent study from year 2023 the Swiss economy was ranked fourth overall in Economic Freedom of the World rankings (Fraser Institute, 2025). When taking a deeper dive to country´s openness ranking in different areas, the data shows that regarding the area "Freedom to trade internationally", Switzerland lands on the 53rd place in 2023. Factors which boost country´s openness are sound money and regulations. According to Fraser Institute Switzerland has managed to be in top ten overall in the Economic Freedom of the World rankings all the way from 1970´s.

Switzerland is not part of the European Union, but still, it is part of the European Free Trade Association (EFTA). EFTA grants opportunities to trade freely with its members. Other members are Liechtenstein, Iceland and Norway. Based on the above discussion, following proposition is developed:

Proposition 8. Switzerland's openness positively influences the foreign financial firms' decision to locate their headquarters in Switzerland.

2.4.9 Innovation capability

Switzerland's innovation and the capability to create high-end products while keeping the quality level high is globally remarkable, moreover the Swiss innovation system is the most powerful instrument to give well-being to Swiss people (Gersbach & Wörter, 2024). For example, Swiss watches, chocolate and cheese are well-known all over the world due

to their high-quality. Gersbach and Wörter (2024) say that currently Switzerland is an attractive place for foreign companies but OECD/G20 minimum tax proposal would need different measures to maintain the attractiveness of Switzerland as a response to potential disadvantages of the minimum tax.

The innovation orientation in Switzerland has been achieved through low tax rates because companies and firms are then more willing to invest and create innovations. Innovations walk hand in hand with Swiss education system because Switzerland having world class education in all education levels from kindergartens to universities. According to Gersbach and Wörter (2024) the Swiss system is strongly focused on research and programs linking to higher education. Shortly said the Swiss system from education to industry is built to keep the human capital inside and gather from outside Switzerland. Based on the above discussion, following proposition is developed:

Proposition 9. Switzerland's innovation capability positively influences the foreign financial firms' decision to locate their headquarters in Switzerland.

Overall, Switzerland's economic competitiveness, attractive tax system, skilled labor, prime location, excellent infrastructure, institutional support, large market size, openness, and innovation capability drive foreign financial firms to locate their headquarters in Switzerland.

3 Conclusions

Wrapping this thesis work up comes chapter three containing our thoughts of the thesis work and conclusions about the topic. We introduce key findings and what are the most important determinants for locating financial firms´ headquarters in Switzerland. Finally, we give our suggestions for future research.

3.1 Summary of the findings

The purpose of this thesis was to investigate the key factors determining the decision of foreign financial firms to locate their headquarters in Switzerland. To answer the main purpose, we have done extensive literature review and found nine factors which drive foreign financial firms to locate their headquarters in Switzerland. First and foremost, the economic competitiveness can be considered as base layer for Switzerland's banking and financial sectors' success. Compared to prior studies, we found out that the competition levels have increased and are expected to increase in the future (Betrisey & Ayranova, 2018). We think that economic competitiveness enhances market development. Switzerland's attractive tax system works as a positive influencer towards financial firms' decisions to locate their headquarters in Switzerland. As Pleijsier & Pleijsier (2020) point out that foreign multinationals choose their headquarters location by comparing different countries' tax systems and benefits. Having skilled labour in the country, also influences positively firms' decisions to locate headquarters in Switzerland. Switzerland produces high quality students to labour markets while the foreign-born firms can bring their own talent cross-borders to Switzerland generating a great combination benefitting the firms. Sauvaire & Muller (2006) confirm this theory, and they mention that the skill level and motivation of Swiss workers is advantageous for firms. In the same vein, Switzerland's prime location in central Europe is a huge positive influence for firms, financial and non-financial to locate their headquarters. As Sauvaire and Muller (2006) say, Switzerland works as a gateway to European markets by being in the heart of Europe. While the great physical location has its own benefits,

for example the close market access, there are agreements for free movement while not being part of Eu. This means that Switzerland is not a closed border country surrounded by EU. EFTA and Schengen agreements can be seen as keystones to Swiss openness. Moreover, the country's remarkable openness can be seen as a major asset for financial firms operating in the country. Therefore, with these benefits supporting the market size, the markets are considered large for Switzerland by looking the amount of assets and cash inflows via financial firms, foreign and local. Infrastructure can also be seen as an advantageous factor for companies in Switzerland and Sauvaire & Muller (2006) agree with this theory. In the financial industry, having a steady and reliable platform to operate is key to success. From here, we can easily move on to the institutional support which we see as positive influence for foreign financial firms enlarging operations to Switzerland. Finally, Swiss innovation capability which supports largely the willingness of foreign companies to settle in Switzerland by locating their headquarters. As regarding to Gersbach & Wörter (2024) the Swiss innovation system is built to focus on learning and research. In addition, regarding to Pleijsier & Pleijsier (2020) the innovation capability and its effectiveness is not straightly mentioned, they mention the Swiss patent box which is linked to Swiss attractive tax system.

Overall, Switzerland's economic competitiveness, attractive tax system, skilled labor, prime location, excellent infrastructure, institutional support, large market size, openness, and innovation capability drive foreign financial firms to locate their headquarters in Switzerland. These results are also summarized below in Figure 6.

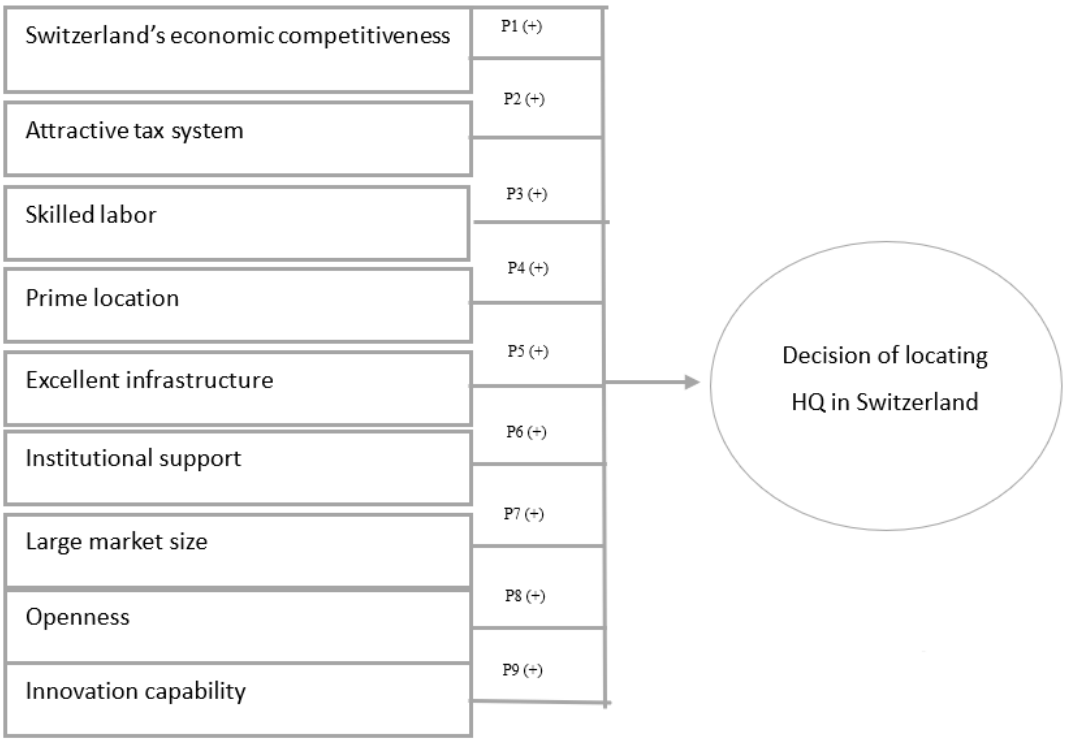

Figure 6. Propositions and model proposed

3.2 Suggestions for future research

Our suggestions for future research would be to investigate Switzerland's financial centers even deeper and the reasons behind why some of the financial centers have different firms than others. Generally speaking, two most notable financial centers in the country are Geneva and Zurich, both ranked in top 20 of the Global Financial Centers Index (GFCI) according to the most recent data (Z/Yen Group, 2025). Another suggestion for future research would be to investigate other countries around the world attracting financial firms´ to locate their headquarters in and define the key determinants regarding the decisions. The GFCI reveals that there are many other countries ranked high on the list, for example Singapore and the United States. It would be very interesting to hear what the determinants are for locating headquarters in those countries.

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