



Swiss Financial Center

Swiss Bank System



Switzerland is the World's largest offshore financial center, even ahead of London, New York or Frankfurt. Swiss banking sector has established this dominant position through a long tradition of political, economic and financial stability and some key principles, one of which is Swiss Bank Secrecy.

Swiss Bank secrecy

This bank secrecy is among the strictest in the world and stems from an age-old historical tradition. It is established in Swiss law. Any banker who reveals information about you without your consent risks several months in prison.

The only exceptions to this rule concern serious crimes such as gun smuggling and drug trafficking. Bank secrecy is not lifted for tax evasion. This is because failure to report income or assets is not considered a crime in Switzerland. As such, neither the Swiss government, nor any other government, can obtain information about your bank account. They must first convince a Swiss judge that you have committed a serious crime punishable by the Swiss Penal Code.

Bank secrecy will not be lifted for private matters such as inheritance or divorce if you have kept your banking information strictly confidential. It is up to plaintiffs to prove that the account exists if they wish the judge to pursue the case. In this respect, the numbered account provides the maximum degree of confidentiality.

Swiss Universal Banks



The Swiss banking system is based on the model of universal banking. This means that all banks can provide all banking services, such as:

- Credit/lending business
- Asset management and investment advice
- Payment transactions
- Deposit business (savings accounts, etc.)
- Securities business (stock exchange transactions)
- Underwriting business (issuing of bonds)
- Financial analysis

This is directly opposite of banking systems in English-speaking countries and in Japan which separate commercial banking from investment banking. Legislation is, in fact, currently underway in the United States to liberalize the system.

The advantages of universal banking include the ability to spread risk over a greater number of banking businesses and customers from all sectors of the economy.

Swiss “Big” Banks



The two "big" banks - UBS AG and the Credit Suisse Group - together account for over 50% of the balance sheet total of all banks in Switzerland.

UBS AG is the world's leader in wealth management and also Switzerland's leading bank for individual and corporate clients. It is also an important global player in investment banking and the securities business.

Credit Suisse is a leading global bank headquartered in Zurich. Credit Suisse is renowned for providing expert advice, holistic solutions and innovative products to a wide range of corporate and institutional clients and high-net-worth individuals globally, as well as retail clients in Switzerland.



Swiss Cantonal Banks & Regional Banks



Cantonal Banks

Formerly one to two per canton, there are today a total of 24 Cantonal banks (in Switzerland's 26 cantons and half-cantons); Cantonal banks are semi-governmental organizations with a state guarantee. Liberalization is currently underway with respect to the state guarantee. Despite their close connection to the state, cantonal banks must comply with commercial principles in their business activities.

Their objective, according to cantonal law, is to promote the canton's economy.

Field of activity - Engaged in all banking businesses; Emphasis on lending/deposit business.

Regional Banks

Regional banks and savings banks conduct the bulk of their business in the savings and mortgages field. Their operations are thus very similar to those of the smaller cantonal banks, though as a rule their geographical scope is smaller.

Most of the regional banks are affiliated to the Association of Swiss Regional Banks (RBA-Holding), an umbrella organization that provides services on their behalf. However, the banks affiliated to this holding company continue to act as independent entities. These banks voluntarily restrict their activities to one region.

Raiffeisen Group



As a group of banks with the largest branch network in Switzerland,

The Raiffeisen banks together form Raiffeisen Switzerland, which is responsible for the entire Raiffeisen Group strategy and for group-wide risk management.

It also coordinates the group's activities, creates the conditions for the business activities of the local Raiffeisen banks and advises and supports them in all issues.

The bank group, which is structured as a cooperative, is one of Switzerland's leading retail banks. In recent years, Raiffeisen has positioned and established itself as the third largest bank group in Switzerland.

Raiffeisen meanwhile counts 3 million Swiss citizens among its customers. Of these, some 1.4 million are members of the cooperative and hence co-owners of their Raiffeisen bank. They value the decisive benefits of Raiffeisen: Proximity to the customer, support, reliability and the exclusive benefits for members of the cooperative.

Swiss Private Banks



Among the oldest banks in Switzerland.

Legal form: individually owned firms, collective and limited partnerships.

Private bankers are subject to unlimited subsidiary liability with their personal assets.

Field of activity: asset management, chiefly for private clients; as a rule, private banks do not publicly offer to accept savings deposits.

Major Swiss Private Bankers (None Exhaustive)

Baumann & Cie, Bordier & Cie, E.Gutzwillert & Cie, Gonet & Cie, Hottinger & Cie, Julius Baer, Landolt & Cie, La Roche & Co Banquiers, Lombard Odier & Cie, Mirabaud & Cie, Mourgue d'Algue & Cie, Pictet & Cie, Rahn & Bodmer Co, Reichmuth & Co, Wegelin & Co.....

Foreign Banks

The foreign banks in Switzerland are Swiss banks! However, they have a majority shareholder domiciled abroad that often comprises a foreign bank. All foreign banks in Switzerland are subject to the same laws and supervision as banks whose majority shareholder is Swiss.

The banks with majority shareholder domiciled abroad are of exceptional importance for Switzerland as a financial centre. In fact they are the most important banking group in Switzerland, second only to the two large Swiss banks. They play a particularly important role in cross-border private assets management business. And apart from private banking, various foreign banks in Switzerland hold an internationally leading position in trade financing. Likewise in investment fund and capital market business, the Swiss banks with majority shareholder domiciled abroad play a key role.

- ✓ 154 banks – or 45% of all banks in Switzerland
- ✓ Foreign banks generate approx. 2% of value added of Swiss GDP
- ✓ 20% of bank employment – most important bank group
- ✓ Private banking as main activity – approx. CHF 950 billion assets under management
- ✓ Safety first: confidentiality and security
- ✓ Strong integration in Europe, but increasing importance in Middle and Far East

Other Banks



This bank group includes banks with various business objectives, such as: institutes specializing in the stock exchange, securities and asset management businesses; commercial banks: as a rule, these are universal banks for which mortgage investments play a significant role, in addition to commercial loans to trade, industry and commerce; and consumer credit institutes: institutes specializing in small loans (to private individuals and the industry).

- ✓ Bank Coop
- ✓ Corner Bank
- ✓ Banca SA
- ✓ Alternative Bank ABS
- ✓ Migros Bank
- ✓ Banca Commerciale Lugano

Swiss Financial Center - Players



Swiss Bankers Association

The Swiss Bankers Association (SBA) was founded in 1912 in Basel as a trade association and today has nearly 360 institutional members and approximately 16,340 individual members. 13 commissions and associated working groups deal with key issues affecting the industry. Serving on these commissions are some 440 representatives of various banking groups as well as specialists from the SBA. www.swissbankingassociation.org

Swiss Financial Market Supervisory Authority

The FINMA is responsible for the supervision of banks through statutory auditors. It grants new banks authorization to begin conducting business. In the event of a violation of law or other abuses, the FINMA can order appropriate corrective measures. If the case is serious enough, it can withdraw the bank's operating permit. www.finma.ch

Swiss Banking Ombudsman

Any customer who has a dispute with his/her bank but does not want to go to court may contact the Swiss Banking Ombudsman. The ombudsman is a neutral and independent office for resolving customer disputes. Although it has no powers of arbitration, it mediates between the parties to the dispute. Thus, it can recommend and advise, but not prescribe, a particular solution. Nevertheless, the ombudsman successfully mediates in many cases.

www.bankingombudsman.ch

Swiss Financial Center – Players Cont.



Swiss National Bank

The SNB is the central bank of the Swiss Confederation, and it runs the country's monetary policy independently. As lender of last resort, it bears some responsibility for ensuring that the Swiss economy has sufficient liquidity. However, unlike the Bank of England, for instance, it has no regulatory powers - banking supervision is the purview of the Swiss Financial Market Supervisory Authority. www.snb.ch

SIX Group

SIX Group was formed at the start of 2008 by the merger of SWX Group, SIS Group and Telekurs Group. As an internationally active infrastructure company, it is a cornerstone of the Swiss financial sector. As one of Europe's leading securities exchange and financial market infrastructure operators, SIX Group offers first-rate services that address all aspects of Swiss and crossborder securities trading as well as the admission of securities to trading. The company's other business fields focus on rendering cost-effective and efficient services in the areas of clearing, settlement, securities safekeeping and administration, as well as supplying international financial information for investment advisors, portfolio managers, financial analysts and administrators of securities transactions. In addition, its services in the area of payment transactions cover the acceptance and processing of payments made with credit, debit and customer cards, as well as the handling of interbank transfers and e-invoices. www.six-group.com

Swiss Financial Center – Players Cont.



Financial intermediaries without bank status

In addition to the banks and their various bodies, the Swiss financial sector also plays host to financial intermediaries without bank status. These intermediaries, which are regulated by a special federal authority, include the management companies of Swiss investment funds (under the Investment Fund Act), life insurance companies (under the Insurance Supervision Act) and securities traders (under the Stock Exchange Act). A number of other financial intermediaries are only governed by the Money Laundering Act.

These include anyone who looks after other people's assets or helps to invest or transfer them, such as asset managers, brokers, bureaux de changes, lawyers, credit card companies etc.

Independent asset managers in particular form a large and important group. They are brought together in the Swiss Association of Asset Managers (SAAM) VSV. The total assets under management by SAAM members is estimated at CHF 100bn, which equates to 3% of the overall market. Independent asset managers maintain close relations with one or more banks, the banks being responsible for customers' accounts and custody accounts. www.vsv-asg.ch

Bank Client Confidentiality



Bank-client confidentiality protects privacy in accordance with the constitution and laws of Switzerland. Article 13 of the Swiss Federal Constitution confers on every person "the right to receive respect for his/her private and family life". This includes privacy in relation to financial income and assets. However, this does not cover abuses, particularly of a criminal nature. Bank-client confidentiality has always been waived for criminal investigators, to whom banks are required to pass client information.

The addition of new crimes to the statute books has led to the creation of new duties of disclosure, for example regarding insider trading (1988) and money laundering (1990). This also applies to foreign prosecuting authorities, through the medium of international administrative and judicial assistance.

The double taxation agreement between Switzerland and the US extended administrative assistance, which had been restricted to tax fraud, to "tax fraud and the like" (1997). On 13 March 2009, the Swiss Federal Government announced that it was to adopt the standards of the OECD (Organization for Economic Cooperation and Development) and in future would also offer administrative assistance in respect of tax evasion in new negotiations with major financial centers (Article 26 of the OECD Model Tax Convention). This does not, however, imply the automatic exchange of information, as there are strict conditions on administrative assistance (e.g. well-founded suspicion of a tax offence). *Otherwise, bank-client confidentiality remains in place*

Bank Client Confidentiality and Tax Law



The Swiss tax system is based on the principle of self-declaration by the taxpayer. Information and documents that a client requires from a bank for the tax authorities may only be passed from the bank to the client, not directly from the bank to the tax authorities. It is not the responsibility of the bank to oversee their clients' tax affairs. However, they may not assist in tax evasion by issuing misleading or incomplete attestations, as is expressly stated in the Due Diligence Agreement.

Withholding tax is an effective means of fighting tax evasion. Most income (interest and dividends) from Swiss capital investments is subject to this 35% tax, deducted at source. The existence of a withholding tax is a strong incentive to declare taxable gains honestly, as investors (bank clients) can only demand a refund of the tax on making the corresponding declaration. This also applies to taxpayers resident or domiciled abroad, where a double taxation agreement makes provisions for partial or total reimbursement of withholding tax.

Bank Client Confidentiality and tax law for EU



A comparable solution exists with the European Union through the agreement on the taxation of savings income (tax withheld by banks in favor of the European Union).

Where tax fraud is involved, offences are dealt with by the competent authorities, towards which banks have a duty of cooperation, information and disclosure. Tax fraud occurs when a taxpayer deliberately uses forged or falsified documents in order to deceive the tax authorities and obtain undue tax advantages.

In such cases Switzerland extends international administrative assistance on the basis of its double taxation agreements or the second package of bilateral treaties with the European Union; it also extends international judicial assistance in criminal matters.

Bank Client Confidentiality and tax law for US



In the case of the US, the Swiss Federal Administrative Court ruled on 5 March 2009 that fraud could also exist where the US tax authorities did not intend to conduct an investigation due to the situation and that the taxpayer had anticipated this. In the specific case in question, a company controlled by the taxpayer (rather than the taxpayer himself) was the client of the bank, and the tax authorities were given inaccurate information about the control arrangements.

On 13 March 2009, the Federal Council finally announced that administrative assistance would in future also be offered in individual cases of well-founded suspicion of tax evasion, bringing the country into line with international standards

(Article 26 of OECD Model Tax Convention).

CONTACT

"If contact between people is based on trust and absolute integrity, then it is of benefit for both sides."

Philippe Batard
Chief Executive Officer

Pierre Duval
General Manager

Michel Nyssen
Deputy CEO

Marianne Masterson
Investment Officer

Batard & Partners

2, Rue Argand

CP 1237

1211 Geneva 1

Switzerland

Phone: +41.79.635.89.67

info@batardpartners.com