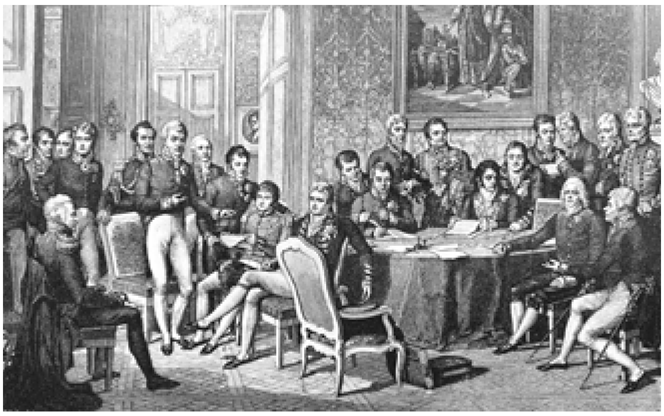
THE SWISS FINANCIAL CENTRE

Sanctions: Strict Implementation in a Neutral Country

- **Switzerland's internationally recognized neutrality has safeguarded its independence and strengthened its global standing for over 200 years.**
- **As a leading financial centre, Switzerland works closely with like-minded countries to implement sanctions while maintaining a level playing field.**
- **Meticulous adherence to sanctions highlights Switzerland's commitment to integrity and global financial standards.**

More Than 200 Years of Respected Neutrality

Switzerland has always stood firmly aligned with democratic values. Swiss neutrality, a tradition spanning centuries, enjoys widespread international recognition. This principled stance safeguards the nation's independence and the inviolability of its territory. It also establishes the foundation for Switzerland's renowned "good offices", such as hosting prestigious international organizations like the UN, or fulfilling protective power mandates like representing US interests in Iran. Switzerland's neutrality is self-determined, permanent, armed, and has been internationally recognized for centuries through numerous international treaties: it was formally enshrined in the Paris Act of Neutrality (1815), the Hague Conventions (1907), the Versailles Peace Treaty (1919) and the London Declaration of the League of Nations Council (1920). When Switzerland joined the United Nations in 2002, its admission was secured under a special neutrality reservation, preserving this core principle.



Congress of Vienna, 1814–1815 · **Source:** iStock.com

Neutrality is not a rigid or absolutist stance. Rather, it is a flexible and sophisticated tool of foreign policy that enables Switzerland to respond effectively to major international developments. As part of this approach – and in line with its established sanctions policy – the Swiss government has, for example, independently chosen to adopt most EU sanctions against Russia on a case-by-case basis. The non-automatic adoption of these EU sanctions bears no negative implications for Switzerland's neutrality. Indeed, Switzerland has consistently aligned with EU sanctions before the conflict in Ukraine, demonstrating the compatibility of these measures with its neutrality policy.

Sanctions Need to be Aligned

For sanctions to achieve optimal effectiveness, it is imperative that they are meticulously coordinated and harmonized among like-minded states. This synchronized approach ensures that major financial centres worldwide operate under consistent guidelines, creating a level playing field. Otherwise, sanctions risk being undermined through circumvention, enabled by the high mobility of capital. While the Swiss government has thus far not formally joined the Russian Elites, Proxies and Oligarchs (REPO) Task Force, Swiss Banking emphatically supports robust international cooperation in this critical domain.

Setting the Gold Standard for Compliance

Swiss banks, as a cornerstone of their regulatory compliance and internal governance frameworks, maintain exemplary adherence to all applicable laws and measures. They not only diligently comply with EU sanctions adopted by Switzerland, but many also voluntarily adhere to other relevant international sanctions regimes, even when these apply not directly to them, but to their counterparties, such as correspondent banks or custodians. Long before recent geopolitical developments, Switzerland has proactively implemented economic sanctions in coordination with its international partners, reflecting its commitment to global financial integrity.

The Sophisticated Legal Framework of Neutrality

Switzerland's neutrality comprises two complementary elements: the law of neutrality and neutrality policy. The law of neutrality requires that a neutral state abstain from participating in international armed conflicts and refrain from deploying troops or offering its territory to warring parties. In return, these parties are expected to respect the inviolability of the neutral state's territory. The neutrality policy encompasses the strategic measures implemented by a neutral state to maintain the credibility and effectiveness of its neutral status within the international community. Beyond the rights and obligations established in international law, neutrality policy is shaped by the country's interests, the prevailing international context and the nation's rich history and traditions.

The Swiss Bankers Association: Committed to a Strong Financial Centre

The Swiss Bankers Association is the uniting force behind Switzerland's banking excellence, representing around 270 member institutions. For over a century, we have championed the Swiss financial centre's interests, crafting an ideal environment for banking accomplishment and success. Through strategic partnerships with relevant stakeholders, we are shaping tomorrow's banking landscape, focusing on critical priorities like banking stability, market access, anti-money laundering and digital currencies – ensuring Switzerland's continued leadership in global finance. · www.swissbanking.ch

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