Swiss Banking

Annual Report 2020 / 2021 Swiss Bankers Association

August 2021

Herbert J. Scheidt
President

Jörg Gasser
CEO

Foreword

Dear Readers

The dominant theme in this year's Annual Report is change. We have seen changes in many areas over the past few months, and some are still ongoing. The COVID-19 pandemic continues to keep the world on edge, and this has affected society as a whole – and thus also our members, the banks in Switzerland – in terms of how we work and interact with each other.

In these challenging times, the banks are unwaveringly reliable suppliers of credit to support the overall economy. We at the Swiss Bankers Association (SBA) assist our members in their day-to-day work, as this redesigned Annual Report attests. It is intended to offer a comprehensive overview of what we do.

Change is also the watchword as our Chairman Herbert Scheidt sums up both the past year and his five years in office in the interview below.

The following pages outline last year's key events with reference to the priorities set by the Board of Directors for the Association's work. Then comes an overview of other relevant topics dealt with by some 500 experts in steering committees, commissions and working groups together with SBA staff.

The Annual Report also contains all the important figures for the last financial year, in which the Association faced challenges of its own. Thanks to the support of our members, however, we were able to overcome these and ultimately look back on a successful 12 months.

We hope you find our Annual Report informative and look forward to seeing or speaking to you soon.

Herbert J. Scheidt
President

Jörg Gasser
CEO

1 “We’ve achieved a great deal together”

Herbert J. Scheidt, Chairman of the Swiss Bankers Association (SBA), takes stock of a year dominated by the pandemic and a raft of changes. He also looks back at his time at the Association’s helm.

Herbert J. Scheidt, what’s your overall assessment of the Swiss Bankers Association’s year?
Herbert J. Scheidt: As an association, we’ve worked extremely hard in spite of the lockdown and all the organisational complications it entailed, and also achieved some visible results, as this Annual Report shows. I’ve been particularly pleased by the important steps taken towards reforming withholding tax and abolishing stamp duty. That dossier is of huge importance to the competitiveness of our financial centre. Now, after years of work, we’ve made some key moves in the right direction. As I look back at the last year, though, I’m especially grateful to the staff of the Swiss Bankers Association, whose great flexibility and commitment in the face of the pandemic have made these results possible.

What is your personal view of the coronavirus period?
The coronavirus has caused a lot of suffering and worry. That is the sad fact of the matter. But at the same time, the troubles we’ve experienced have rekindled our sense of the need for togetherness. The implementation of the COVID-19 aid programme was only possible thanks to the straightforward willingness of the Swiss Bankers Association, our member banks, politicians and the authorities to work together in partnership. All the parties involved were prepared to set aside their diverging interests and focus on the common goal of supplying liquidity to our businesses quickly, and safeguarding countless jobs in the process. The realisation that business and society are not at odds with each other but in fact belong together has been a great help to us in managing the crisis. Thankfully, today, we are in a very good position compared with other countries. That allows us to direct our energies towards influencing future policy issues.

«The implementation of the COVID-19 aid programme was only possible thanks to the straightforward willingness of the Swiss Bankers Association, our member banks, politicians and the authorities to work together in partnership.»

«Our actions are driven by overarching objectives such as the competitiveness of the financial centre and the Swiss economy as a whole.»

When you talk about influencing future policy issues, what role can an association like the Swiss Bankers Association play in that?

First of all, our Association needs to instil the correct ways of thinking and working. Our actions are driven by overarching objectives such as the competitiveness of the financial centre and the Swiss economy as a whole. At that higher level, differing interests often make matters very complex, and coming up with good solutions that reconcile them takes a lot of time and effort. That isn’t always easy, but if we, as one of the Swiss business community’s leading umbrella organisations, manage to find the right compromises, we’ve performed a valuable task in achieving unity. By focusing on the common good and seeking to balance our stakeholders’ interests, we are creating a microcosm of democracy. That work is of immense value to political decision-makers, especially in a pluralist society in which digital and social media play a key role. We present politicians with coordinated, viable solutions geared to the general interest that are then a matter for their political judgement.

So is the Bankers Association a mediator between the varying interests of individual players in the political opinion-forming process?

That’s an important part of our work. But we can only hope to win people over if we have extensive practical knowledge available within our Association, because ultimately, you can only convince with objective arguments based on sound expertise. Another vital element of our work is our rigorous focus

on what lies ahead. It’s our job to create an environment that enhances our members’ competitiveness and promotes innovation in our banks. Over the last five years, we’ve therefore evolved into a knowledge hub with a consistent future orientation, a kind of think tank. That enables us to begin today the task of shaping the conditions for tomorrow. Areas where we’ve been especially active in recent years include cyber security, the use of new digital technologies such as the cloud, and integrating sustainability issues into investment and finance.

Herbert J. Scheidt, you yourself have created headlines in a year that already had plenty of them, with your decision to step down after five years in office at the next Annual General Meeting in September. What led you to take that decision?

I was elected Chairman of the SBA in 2016 on the back of a resolution by the Board of Directors to comprehensively overhaul the Association’s strategy and organisation. I made it my task to implement that transformation, along with our members and the SBA’s own staff. My goal was to bring the Association’s repositioning to a successful conclusion. But it was also important for me to step down when the time was right. Personally, I’d always planned to pass on a healthy and well-positioned association to a successor who has the right skills for the job, can spare the time to do it properly, and is keen to do so. In Marcel Rohner, we have found that person. That, along with my 70th birthday, meant this felt like a good moment to start the handover process.

«The Bankers Association today is a partner respected by all sides, whose opinions are routinely sought and that can engage with politicians and the authorities on an equal footing.»

What advice would you give to your successor, Marcel Rohner?

It’s not for me to offer advice. I would just say that together, we at the SBA have achieved a great deal. The Bankers Association today is a partner respected by all sides, whose opinions are routinely sought and that can engage with politicians and the authorities on an equal footing. That tells me that here in Switzerland it is possible to influence how things turn out, and the work of associations is a vital component of a political system that I value highly. Most of all, I should like to thank everyone I’ve had the pleasure of working with at the Swiss Bankers Association and among its members – for their invaluable commitment on numerous bodies and their great dedication to our financial centre.

2 Defending the industry's interests in a challenging environment

The coronavirus crisis continues to exert a strong influence on the economy and society as a whole. Banks are living up to their responsibility as reliable partners for the entire economy, and this is broadly acknowledged by the Swiss population. There was a great deal of movement in the frameworks that are relevant to banks during year under review. Overall, important progress and successes were achieved with regard to many of the Association's political priorities.

Every two years, the social research institute gfs.bern conducts a survey of the Swiss population on behalf of the Swiss Bankers Association to gauge attitudes towards the country's banks. The results of the most recent survey, published in May 2021, show that the positive perception of banks among Swiss people has reached a level never before seen in the survey's 20-year history. The loan programme for small and medium-sized enterprises (SMEs) played a significant role in this respect, having met with an overwhelmingly positive response from the Swiss population. In the midst of the pandemic, banks proved that they can continue to function as a dependable source of lending and a stable support for the economy as a whole without restriction, even in challenging times. Close and highly effective cooperation between banks, the federal government, the authorities and the Swiss Bankers Association enabled the successful launch of the loan programme aimed at bridging liquidity squeezes for SMEs in spring 2020.

As the pandemic entered its second year, the regulatory and tax frameworks for banks continued to evolve at a brisk pace, making effective representation of the industry's interests in the federal capital Bern essential. The Association's Board of Directors set its strategic priorities for 2021 (see chart). Important progress and successes have been achieved with regard to many of these in recent months.

Revision of Anti-Money Laundering Act completed

The **revised Anti-Money Laundering Act (AMLA)** was adopted in the Swiss Parliament's spring 2021 session. Intensive cooperation and commitment by the banking industry, the Federal Council and the Swiss Financial Market Supervisory Authority FINMA led to this successful outcome, and the Swiss Bankers Association also campaigned vigorously for its adoption. From the industry's perspective, the focus from the outset was on the opportunity to exit the enhanced follow-up process of the Financial Action Task Force (FATF). The revised provisions incorporate many of the issues originally raised by the Federal Council, for example regarding the requirements to establish the identity of the beneficial owner and to check periodically that customer data are up to date. The revised AMLA is more in keeping with the times and should be sufficient to free Switzerland from the FATF's enhanced follow-up. Swiss banks will help to strengthen the Swiss financial centre's integrity by implementing it swiftly and comprehensively.

Most banks are currently busy implementing the requirements and duties under the **Financial Services Act (FinSA)** and **Financial Institutions Act (FinIA)**, whereas some have already completed this task. The Swiss Bankers Association provides them with a platform for sharing questions on implementation and a dedicated working group to offer expert advice on complex interpretation issues. It is also reviewing and amending all of its guidelines that are affected by the FinSA and keeping a close eye on the latest developments in **trust law**. The consultation on the proposed new law is expected to start in the autumn 2021, and the Swiss Bankers Association will submit its response.

Swiss Bankers Association priorities 2021

Digitalisation
- Cyber security
- Open finance

Market access
- Bilateral market access solutions
- Practicable market access approaches at EU level

Sustainable Finance
- Disclosure
- Taxonomy

Tax frameworks
- Withholding tax/stamp duty
- Global minimum tax rate

Financial market regulation
- Basel III Final
- Deposit insurance

Regulation
- AMLA revision
- FinSA/FinIA
- Developments in trust law

Pressure on Switzerland's international tax competitiveness

It is well known that the market for Swiss investment products is underdeveloped compared with those of foreign rivals such as the UK, the US, Singapore and Hong Kong. For example, the total volume of bonds issued by Swiss companies is around CHF 500 billion, but three quarters of this was issued in other countries where there is no withholding tax. Swiss companies do this in order to remain competitive. Most investors would be able to reclaim Swiss withholding tax, but it is a laborious process that takes a long time. It is much easier for them to invest in foreign-issued bonds instead and avoid withholding tax altogether. This puts Switzerland at a disadvantage as foreign issuance means that a greater share of the related value creation happens in other countries. The Federal Council put forward a robust, credible proposal for a **reform of withholding tax** to the Swiss Parliament in April 2021 with the aim of effectively strengthening the capital market while also addressing the issues raised by the financial centre and industry. The proposal was the result of several years of intensive debate with the authorities and within the business world. Now the matter has passed to Parliament, the Association is supporting the Federal Council's proposal together with the corporate sector. Another focus of the Swiss Bankers Association's activities is the political effort to abolish **stamp duty**. The Association welcomes Parliament's decision during its summer 2021 session to abolish the stamp duty on new issues of equity. The efforts to reform withholding tax and stamp duty have taken on even greater importance in view of the international tax policy developments around the **OECD project to tax the digitalised economy**. The SBA is liaising closely with the authorities and partner associations to discuss this dossier, which is vitally important to Switzerland's status as a business location, and to ensure that the national working group is aware of the financial industry's concerns at an early stage.

Basel III Final and revision of Banking Act on course

Work is currently under way to implement the remaining elements of the Basel Committee on Banking Supervision's reform package ("**Basel III Final**") in Switzerland. The Swiss Bankers Association is closely involved in this process through the national working group, and it is acting to ensure that the outcome is both credible and proportionate. Key areas include consideration of how the reforms are enacted in comparable financial centres, effective tailoring of requirements to the circumstances of different institutions (proportionality) and a meaningful assessment of the expected economic effects (quantitative impact study and regulatory impact assessment). The implementation work is on schedule overall. The Association is treating this major regulatory project as a high priority and engaging in constructive dialogue with the authorities. Progress has also been made on the **partial revision of the Banking Act**. The National Council was the first parliamentary council to debate it in March 2021 and took key issues raised by the banking industry into account, among them the need to ensure that the law is not more restrictive than the Federal Council's dispatch, and cost neutrality in deposit insurance. The Economic Affairs and Taxation Committee of the Council of States then took up the draft in May 2021. The Council of States will debate it in the autumn 2021. The Swiss Bankers Association will continue to follow the parliamentary process closely. At this stage, it is also important for the Association to take a proactive and forward-looking approach to the revision of the Banking Ordinance.

Sustainable finance: focus on funding transition

After focusing on the investment business in 2020 (e.g. with the Guideline for the integration of ESG considerations into the advisory process for private clients), the Swiss Bankers Association will concentrate on financing in 2021 in view of its steadily growing importance. A longer-term task will be funding the measures to mitigate climate change. Public funds alone will not be sufficient to achieve the UN's Sustainable Development Goals and the targets set in the Paris Agreement on climate change. Mobilising private finance will be absolutely essential. The importance of gearing the financial system to these goals is thus growing, and international financial bodies are recognising this. If Switzerland wishes to become an international hub for sustainable finance and be in a position to provide its share of funding for sustainability, it must ensure that a framework for mobilising private finance is in place. In mid-August, the Swiss Bankers Association published a study together with Boston Consulting Group that looks into this issue from a Swiss perspective.

In terms of regulation, the debate on sustainable finance is centred on two topics: **disclosure** and **taxonomy**. The Association is cooperating with the federal government, the authorities and the industry to formulate clear requirements for the disclosure of climate-related financial risks. FINMA conducted a consultation at the start of this year on a partial revision of its circular "Disclosure – banks". In its response, the Association welcomed the alignment of FINMA's regulation with the standard set by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and the proportionate implementation based on principles and risks. However, it called for this alignment to be as close as possible with regard to both content and logic. The Association is pleased to see that its concerns have been taken into account in the FINMA circular. It supports efforts to develop a standardised and harmonised system of taxonomy. The State Secretariat for International Finance (SIF) conducted a survey in January regarding the need to amend financial market legislation in line with regulatory developments in the EU on sustainable finance and to prevent "greenwashing". The Swiss Bankers Association believes that it is still too soon to lock in a specific regulatory approach as developments surrounding the EU regulation as well as taxonomy projects in other financial centres are evolving rapidly.

"The Association is cooperating with the federal government, the authorities and the industry to formulate clear requirements for the disclosure of climate-related financial risks."

Digitalisation: close cooperation with authorities and industry representatives
The SBA is working with the federal authorities and other industry representatives on a public-private partnership to increase cyber resilience in the financial market. Its aim is to establish structures for collaboration between financial institutions and the authorities in order to enhance prevention and ensure efficient crisis management. The National Cyber Security Centre (NCSC) is taking the lead on behalf of the government. Its creation was one of the Association's top priorities in the area of **cyber security**. Together with the NCSC and other stakeholders, the Association is represented on the project's steering committee and is taking charge of various sub-projects. Regular cyber drills are a key part of this work.

Another priority as regards digitalisation is the Association's involvement in designing the architecture for **open finance**, which is set to transform the financial sector over the long term. To this end, the Swiss Bankers Association and Swiss Fintech Innovations (SFTI) announced in March 2021 that they had stepped up their collaboration on this important topic to ensure that clear and effective principles can be drawn up for the Swiss financial centre that benefit all stakeholders. The Association also coordinated the drafting of a broadly-based distribution of roles that clearly defines and delineates the responsibilities and interdependencies of the initiatives and organisations involved within the Swiss financial centre. It will continue to perform a central coordinating function with respect to the development of a Swiss open finance ecosystem going forward. There have also been positive developments on the market side, such as the formation of the OpenWealth Association, which aims to define, maintain and operationalise a universal open interface standard for the global wealth management industry. If this project is successful, it will further strengthen the Swiss financial centre's image as a global leader in wealth management. The Association's cooperation with the authorities, in particular the SIF, has also been stepped up and institutionalised with the aid of a strategic forum on open finance, headed by Federal Councillor Ueli Maurer, which ensures coherent joint communication of strategic and regulatory developments across the whole financial centre.

Market access: developing bilateral relations with the EU

The Swiss Bankers Association has always supported the idea of a good **framework agreement** with the EU. However, there were increasing signs in the spring of 2021 that the agreement in its current form would not win majority support from the Federal Council and within the domestic political process without further compromises on the EU's part. This prompted the Association to redouble its efforts to engage with the federal authorities and general public both before and after the political summit on 23 April, in particular stressing once again the importance of a framework agreement for the financial industry. Nevertheless, the Federal Council announced on 26 May that the negotiations had come to an end and that it would not sign the agreement. The Association regrets the Federal Council's decision and continues to stress the importance of stabilising and enhancing bilateral relations with the EU.

In addition to the EU, the Swiss Bankers Association is also continuing to target fundamental improvements in **market access for Swiss financial service providers in key states**. It is doing so primarily on the basis of the financial market strategy published by the Federal Council in December 2020, which largely covers the industry's concerns and priorities. In this respect, there has been encouraging progress on the subject of a mutual recognition agreement on financial services between Switzerland and the UK. Government-level negotiations have now officially begun, and the Association will support the SIF to the best of its ability as they continue. Work on other bilateral dossiers is also ongoing, and the SBA remains in close contact with the SIF on these with a view to ensuring that the industry's known concerns remain on the agenda and are acted on as quickly as possible.

"In addition to the EU, the Swiss Bankers Association is also continuing to target fundamental improvements in market access for Swiss financial service providers in key states."

Except where otherwise indicated, all figures relate to the period 01.07.2020 – 01.07.2021.

2'694

Mentions of the SBA in print media

15

Position papers and consultation responses

255

Media enquiries received

111

Press releases, news and opinion articles on www.swissbanking.ch

24

Circulars (tax and regulation monitoring)

19

Publications (studies, guidance and recommendations)

901'000

Clicks on www.swissbanking.ch

approx. 21'000

Newsletter subscriptions (as at 1 July 2021)

40
Events held

1'500
Bank staff with a political mandate

268
Member institutions

500
Specialists in SBA steering committees, commissions and working groups

906
PolitRadar: monitoring of political business (as at 1 July 2021)

365
Social media posts per channel

8'569
Followers on Twitter (as at 1 July 2021)

12'458
Followers on LinkedIn (as at 1 July 2021)

4 The Swiss Bankers Association: working for the banks

Alongside its political priorities, the Swiss Bankers Association is active across the entire spectrum of the banking business, and also promotes training to maintain and enhance the sector's attractiveness going forward. This section offers an overview of the most important additional developments.

Asset Management

Close institutional collaboration with the Asset Management Association Switzerland
Switzerland is a leading global centre for asset management. In a move to further strengthen its international competitiveness, the Asset Management Platform Switzerland (AMP) and the Swiss Funds & Asset Management Association (SFAMA) merged in autumn 2020 to create the Asset Management Association Switzerland (AMAS). The Swiss Bankers Association is a member of AMAS and has a seat on its board. With the creation of AMAS, the Asset Management Steering Committee has the same membership as the AMAS board.

Modern rules for the professional management of pension fund assets
In summer 2021, Parliament adopted the motion "Secure pensions through the comprehensively professional management of pension fund assets", which mirrors a long-standing concern of the Association. The motion instructs the Federal Council to carry out a targeted revision of the Ordinance on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPO 2) in response to current challenges. The objectives include enhancing the investment skills of pension fund board members, improving risk management, and promoting greater accountability in asset management.

Information platform on the "third contributor" launched
In 2020, the Swiss Bankers Association teamed up with the Conference of Investment Foundation Managers (KGAST) and the Asset Management Association Switzerland (AMAS) to launch the dritterbeitragszahler.ch platform. It offers information on current developments in occupational pensions and presents reforms that aim to increase pension funds' investment returns.

Training

“Kaufleute 2022” reform

The quality of training offered to the bank staff of the future is crucial to the success of the financial centre. Each year, around 1,000 young people embark on a commercial apprenticeship in banking and the associated training schemes with a view to a career in the profession. As part of the ongoing “Kaufleute 2022” reform, the Swiss Bankers Association is therefore working to safeguard the high quality of the commercial training programme, and welcomed the decision taken in summer 2021 to postpone the reform by a year in order to clear up some outstanding issues. The SBA is monitoring the situation closely and campaigning to preserve high-quality training for the benefit of both future graduates and our members.

New “lifelong learning” website

The skill sets required by financial sector employees are changing. New job profiles, digitalisation and the central issue of sustainable investment all mean that learning is now a lifelong process. As part of its commitment to excellence in the field, the Swiss Bankers Association now offers a wide range of information and guidance on this topic on its website swissbanking.ch.

New career explorer

A training at a Swiss bank opens the door to a wide range of exciting careers and continuing education opportunities. The career explorer, which has been integrated into the website swissbanking.ch, highlights ways for young people interested in banking to get a taste of what the sector has to offer, and allows them to explore a variety of career paths in an easily accessible way.

New training course finder

Two new platforms have been launched to help bank employees find training courses. Thanks to strategic partnerships with evrlearn.ch and eduwo.ch, it is now possible to jump from the swissbanking.ch website direct to the entire training course offering in the banking and finance sector. Users can also obtain help with assessing their individual situation and finding further training options.

Digitalisation

New guidelines on handling data in day-to-day business

Trust in how banks handle data is vital to their success. In spring 2021, the Swiss Bankers Association published a set of guidelines on handling data in day-to-day business and presented them in a webinar. The guidelines include six use cases that shed light on various aspects of data processing in practice. They are designed to help bank employees in their day-to-day dealings with data.

DLT regulation successfully finalised

In September 2020, the National Council and Council of States adopted the Federal Act on the Adaptation of Federal Law to Developments in Distributed Ledger Technology (DLT Act). The new umbrella legislation creates legal certainty and supports Switzerland's development into a leading and innovative location for distributed ledger technology.

Guidance on auditing cloud services

Cloud services are vital for banks to exploit new technologies and bring innovative products quickly to their customers. The Swiss Bankers Association therefore updates and expands its guidelines on the use of cloud services whenever necessary. Most recently, it has offered guidance on auditing cloud services and the means used.

Discussion paper on central bank digital currency

Programmable digital money and, in particular, central bank digital currency (CBDC) offer potentially major social and economic benefits, as an SBA discussion paper published in summer 2021 argues. Around the world, central banks, other banks and technology firms are working to design forms of digital money and payment infrastructure.

Open finance: industry associations draw up fundamentals for an open financial centre

The Swiss Bankers Association and Swiss Fintech Innovations (SFTI) have worked with stakeholders to agree on the roles all will play in open finance. SFTI acts as a central forum, drawing up the necessary specialist and technical recommendations for open finance in Switzerland. The SBA collates the sector's concerns and brings them to the attention of politicians, the authorities and the general public, thereby advancing and further strengthening the Swiss financial centre's market-driven approach.

more on digitalisation on page 13

more on legal & compliance starting on page 10

Legal & Compliance

Independent asset managers (IAMs) and banks working to implement FinSA and FinIA
The Financial Services Act (FinSA) and Financial Institutions Act (FinIA) subject the activities of independent asset managers to prudential supervision. They now require authorisation from FINMA, must join an approved supervisory organisation, and must affiliate to an ombudsman's office. The Swiss Bankers Association is liaising closely with its members and external stakeholders to monitor the impact of these changes on banks.

Market Access and Promotion

finance.swiss platform launched
The financial sector launched the finance.swiss information platform in conjunction with the federal government at the end of 2020. It offers answers to questions about the Swiss financial centre as well as comprehensive background to its services and importance. The platform is designed to focus attention on the Swiss financial centre around the world and further cement its strength in the global marketplace.

Promotional trip to Egypt and Qatar
In summer 2021, Federal Councillor Ueli Maurer visited Egypt and Qatar accompanied by a delegation from the Swiss financial sector. The aim of this and previous trips under the auspices of the Federal Council is to strengthen trading relationships and dialogue with partner states, and to further raise awareness of what the Swiss financial centre has to offer.

Successful Switzerland-UK financial industry round table
Organised and moderated by the Swiss Bankers Association, the Switzerland-UK financial industry round table in September 2020 provided an opportunity for in-depth exchange between representatives of the authorities and business in the two countries. The event was organised as part of efforts to expand cross-border financial services between Switzerland and the UK over a broad front, and took place on the eve of the official bilateral Financial Dialogue.

Financial Seminar Hong Kong Switzerland
The fourth edition of the Financial Seminar Hong Kong Switzerland on 4 November 2020 was attended by over 120 participants online. The discussions focused on the impact of COVID-19 on international wealth management and the financial centres in Switzerland and Hong Kong. The event further deepened the already good relations between the two leading wealth management centres and provided a forum for exchange between experts.

more on Market Access and Promotion on page 14

Members and Services

Admissions and departures during the year under review
Following Raiffeisen's decision to leave the Swiss Bankers Association, the Association revised the arrangements governing departures and access to its services in spring 2021. The SBA regrets Raiffeisen's departure but emphasises that its doors remain open. While three institutions opted to leave, the Association was pleased to welcome four new members to its ranks (for more details see the Management Report on page 26).

Enhanced integration of Migros Bank
Migros Bank has been a member of the Retail Banking Steering Committee and the Real Estate Working Group since June 2021. Its presence makes these two central bodies more representative and increases their effectiveness.

Swiss Banking Ombudsman (BOM) and Financial Services Act (FinSA)
One of the new duties under the FinSA is the requirement contained in Article 77 for financial service providers to affiliate to an ombudsman. Our member institutions are automatically affiliated to the Swiss Banking Ombudsman. To enable other institutions to join, the articles of association were amended to allow for contractual affiliation via the Swiss Bankers Association.

New corporate identity and new brochure on Bankers Association services
The Association's new corporate identity went live at the start of May 2021. The Association is positioning itself as a knowledge hub, providing in-depth banking and technical information and acting as a first port of call for questions about the Swiss banking sector. This is also reflected in the new corporate design, which blends a contemporary look and feel with expertise: via its revamped website, the SBA offers a top-of-mind platform for topics, facts and figures related to banking. To accompany the new identity, the Association has also produced a handy brochure (in German) summarising its services for members.

New dormant assets platform
The database and publication platform for handling assets without contact and dormant assets was launched on 17 May 2021. It can be found at dormantaccounts.ch. As before, it is based on the Swiss Bankers Association Guidelines on the treatment of assets without contact and dormant assets held at Swiss banks, Article 37m of the Banking Act and Articles 45–59 of the Banking Ordinance. This marks a successful conclusion to a project for the banks that the SBA has been working on intensively for two and a half years, and that also involved reprogramming the software.

more on Regulation on page 12

Regulation

SME loan programme

The Swiss Bankers Association, with the support of its members, has drawn up a set of guidelines for handling COVID-19 loans that are being continually updated. They answer the most important questions about how banks should implement SME liquidity assistance internally, and also provide recommendations for banks taking part in the loan programme.

Small banks regime

The amendments to the Capital Adequacy Ordinance (CAO) entered into force on 1 January 2020. Small institutions that are particularly liquid and well capitalised can now take advantage of the small banks regime, which includes simplified rules for calculating their capital requirements and other reductions in the regulatory burden. These changes make regulation of the banks more proportionate.

PostFinance

The Federal Council is planning changes to the partial revision of the Post Organisation Act in response to feedback from the consultation. The intention is for Swiss Post to give up its majority shareholding in PostFinance, which will be spun off from the Swiss Post Group. The Swiss Bankers Association continues to argue that a removal of the prohibition on PostFinance providing loans and mortgages should be linked to its privatisation.

Taxes

Spanish financial transaction tax

From 1 January 2021, a financial transaction tax is levied on the acquisition of listed shares of Spanish companies with a market capitalisation of more than EUR 1 billion. The tax amounts to 0.2% of the purchase price and is charged irrespective of the purchaser's domicile or where the transaction is carried out.

Sector practice on value-added tax

The FTA's VAT Info 14 "Financial Sector" was amended in spring 2021 to bring it into line with the FinSA/FinIA. The changes are purely editorial, and involve switching over to the terms used in the new legislation. There are no changes in terms of actual taxation. Meanwhile, the Asset Management Association Switzerland adapted its model distribution agreement for collective investment schemes to reflect the new terminology.

more on Tax starting on page 11

Revision of the AEOI Act and Ordinance

As part of its peer review of domestic implementation of the standard for automatic exchange of information (AEOI), the Global Forum made a number of recommendations to Switzerland. The AEOI Act and Ordinance were revised accordingly, with the changes coming into force on 1 January 2021. The number of changes and their impact on the banks were kept to a minimum.

FATCA group requests

In autumn 2020, the US tax authorities used FATCA group requests for the first time to apply for administrative assistance regarding non-consenting US accounts. These accounts were not reported individually as part of the annual FATCA report, but in an aggregated manner as a group. The disclosure is made under the terms of the Swiss FATCA Act, and the banks had therefore already prepared to supply the data. The Federal Tax Administration notified the account holders concerned by means of a notice in the Federal Gazette.

Sustainable Finance

Banks' position on sustainable finance

In 2020 the Swiss Bankers Association published a position paper and a detailed report outlining the ideal political framework for Switzerland to become a leading global hub for sustainable finance. In addition to removing regulatory obstacles and creating international transparency rules, it is essential that external factors be priced directly into economic transactions, for example by means of incentive taxes.

Revision of the CO_2 Act

The CO_2 Act, which was intended to establish the basis for meeting the goals of the Paris Agreement on climate change, was rejected by a small majority of Swiss voters in summer 2020. However, the banks are continuing their efforts to report climate-related financial risks transparently and to offer sustainable financing and investment solutions. The Swiss Bankers Association will continue to lobby for a broadly based, future-oriented solution to protect the climate.

more on Sustainable Finance starting on page 12

Economic Policy and Research

Banking Barometer 2021

The Banking Barometer 2021 makes it clear how vital the banking sector is to the success of the Swiss financial centre. Switzerland is still number one in cross-border wealth management, the banks proved capable of maintaining the supply of credit at all times during the pandemic, and their aggregate net income grew in 2020.

Study on the economic impact of the Swiss financial sector

The financial sector is a mainstay of the Swiss economy, accounting for around one-eighth of gross value added in 2019. As of 2019, some 8% of all jobs in Switzerland are directly or indirectly dependent on the financial sector. Contributing around 13% of public sector tax revenues, it is also a key taxpayer, as the annual BAK study commissioned by the Swiss Bankers Association and Swiss Insurance Association confirms.

Economic policy in the wake of the coronavirus pandemic

The Federal Council put in place a comprehensive programme of measures to cushion the economic impact of COVID-19 on Swiss companies. In May 2021 it outlined three main thrusts of a return to business as usual in economic policy: normalisation, providing support during structural change, and revitalisation. Reducing debt is vital to ensuring continued preparedness for future crises. The Federal Council has decided that the SNB's supplementary distributions should in future be recorded as extraordinary income, and is opening a consultation on two options for reducing COVID-19 debt in accordance with the debt brake, a move which is supported by the Swiss Bankers Association.

Monetary policy, financial market stability

In its 2020 Risk Monitor, FINMA identifies seven main risks for financial institutions, one of which is new: possible defaults or adjustments to corporate loans and bonds abroad. The SNB's Financial Stability Report 2021 notes a high degree of resilience among Swiss banks during the pandemic, thanks to their solid capital base.

Resilience in payment services

The Federal Council instructed the Federal Office for National Economic Supply (FONES) to draw up proposals for safeguarding payment services, as required by law, in the event of a power shortage lasting several weeks. The FONES, working with representatives of the banks coordinated by the Swiss Bankers Association, is formulating potential effective crisis measures which it will submit to the SBA as recommendations by the end of 2021.

5 SBA management report

General business performance

The Swiss Bankers Association (SBA) is a non-profit organisation financed predominantly through membership fees. At the Annual General Meeting on 12 September 2019, it was decided that the financial year would be redefined as 1 April to 31 March. This change took effect on 31 March 2020, meaning that the prior-year comparison figures cited in the annual financial statements for 2020 / 2021 are based on a longer-than-usual financial year (1 January 2019 to 31 March 2020). This explains why membership fees fell by approximately CHF 20 million.

At the end of the financial year, the Swiss Bankers Association had 268 member institutions with around 11,770 individual members. Four institutions joined the Association during the period, and three left. Additionally, two institutions merged, so that the number of member institutions of the Association in the year under review is the same as in the previous year. The slight reduction in the number of individual members was caused by Raiffeisen's departure. The average number of employees (in full-time equivalents) was stable at over 50.

Outcome of risk assessment

No new factors were identified during the risk assessment that was conducted. It resulted in only minor formal adjustments that were adopted by the Audit Committee on 26 May 2021. The assessment by the Swiss Bankers Association based on the information currently available is that there are no material individual risks that could pose an existential threat to the SBA at present or in the foreseeable future. The Association also found that the sum of the individual risks does not threaten its continued existence.

Research and development activities

The Swiss Bankers Association works intensively on numerous policy issues that are relevant to the industry and are of current and future importance for the financial centre. In so doing, it contributes to the further development of the Swiss financial centre with the objective of increasing its competitiveness and future viability.

Extraordinary events

The ongoing COVID-19 pandemic continued to pose a range of challenges for the economy as a whole and for small and medium-sized enterprises (SMEs) in particular during the year under review. The Association played a key role in mitigating the economic damage by coordinating the loan programmes and issuing recommendations on dealing with insolvency risks. As far as the Association itself was concerned, IT systems continued to function smoothly while staff were working from home, so there was no disruption to activities. A number of events were held in the form of webinars and virtual meetings.

Outlook

With risks relating to the pandemic persisting, the Swiss Bankers Association has decided once again to hold its Annual General Meeting without anyone attending in person this year. Members may exercise their voting rights in writing. However, Swiss Bankers Day will be held in hybrid form with people attending both in person (subject to strict protective measures) and virtually.

Basel, 24 August 2021

Jörg Gasser
CEO

Melanie Knijff
Head of Operations

6 Balance sheet

in CHF

Assets	**31.03.2021**	**31.03.2020**
Cash and short-term cash equivalents	21’720’855	21’966’221
Trade accounts receivable	60’540	196’452
Other short-term receivables	554’245	830’033
Prepaid expenses/accrued income	218’746	176’833
Total current assets	**22’554’386**	**23’169’539**
Financial assets	13’729’374	12’935’957
Property, plant and equipment	3’700’001	3’700’001
Total non-current assets	**17’429’375**	**16’635’958**
Total Assets	**39’983’761**	**39’805’497**

Liabilities	31.03.2021	31.03.2020
Trade payables	422’139	236’249
Other short-term liabilities	219’955	760’279
Accrued expenses/deferred income	1’144’527	1’083’584
Short-term provisions	894’000	932’000
Total short-term liabilities	**2’680’621**	**3’012’112**
Provisions and similar items foreseen in the law	26’240’000	25’800’000
Total long-term liabilities	**26’240’000**	**25’800’000**
Total liabilities	**28’920’621**	**28’812’112**
Association capital	6’961’000	6’961’000
Reserves	4’102’140	4’032’385
Total equity capital	**11’063’140**	**10’993’385**
Total Liabilities	**39’983’761**	**39’805’497**

7 Income statement

in CHF

	01.04.20 – 31.03.21 (12 months)	01.01.19 – 31.03.20 (15 months)
Membership fees	19’679’469	26’137’589
Revenue from sale of goods and services	1’186’829	1’797’988
Total operating income	**20’866’298**	**27’935’577**
Goods and services expenses	–7’252’957	–9’760’352
Personnel expenses	–11’982’927	–15’848’571
Other operating expenses	–1’968’075	–2’724’807
Total operating expenses	**–21’203’959**	**–28’333’730**
Operating result	**–337’661**	**–398’153**
Financial expenses	–72’364	–70’653
Financial income (including unrealised gains)	943’599	734’102
Non-operating income	40’524	50’303
Extraordinary, non-recurring or prior-period expenses	–2’103’880	–1’287’000
Extraordinary, non-recurring or prior-period income	1’650’051	1’013’075
Direct taxes	–50’514	–23’726
Profit for the year	**69’755**	**17’948**

8 Cash flow statement

in CHF

	01.04.20 – 31.03.21 (12 months)	01.01.19 – 31.03.20 (15 months)
Net profit for the period	69’755	17’948
Price changes in financial investments	–754’729	–139’232
Change in current assets	369’787	1’362’602
Change in liabilities	–293’491	–304’767
Change in provisions	402’000	441’000
Cash flow from operating activities	**–206’678**	**1’377’551**
Investments in non-current assets	–38’688	–197’027
Cash flow from investing activities	**–38’688**	**–197’027**
Total cash flow	**–245’366**	**1’180’524**
Balance of cash at beginning of period	21’966’221	20’785’697
Balance of cash at end of period	21’720’855	21’966’221
Total cash flow	**–245’366**	**1’180’524**

9 Notes

Description of the principles used in the preparation of the financial statements

These financial statements of the Swiss Bankers Association, headquartered in Basel, have been drawn up in accordance with the Swiss law, in particular with the articles in the Code of Obligations relating to commercial accounting and financial reporting (Art. 957 to 961).

At the Annual General Meeting on 12 September 2019, it was decided that the financial year would be redefined as 1 April to 31 March. This change took effect on 31 March 2020, meaning that the prior-year comparison figures cited in these annual financial statements are based on a longer-than-usual financial year (1 January 2019 to 31 March 2020).

In preparing the financial statements, the management is required to provide estimates and assessments that could affect the reported amounts of assets, liabilities, income and expenses for the reporting period. The management decides at its own discretion how to apply the legal scope for valuation and reporting practices. Pursuant to the principle of prudence, depreciation, value adjustments and reserves that exceed the economically necessary level can be created in the interests of the Association.

In principle, tangible fixed assets are valued at acquisition cost less depreciation and value adjustments. Depreciation of the Association's office premises, with the exception of the land value, is calculated on a straight-line basis. Where indications of overvaluation are present, the book values are reviewed and adjusted if necessary.

Disclosures, breakdown and explanations of balance sheet and income statement items

in CHF

	31.03.2021	31.03.2020
a) Cash and short-term cash equivalents		
Cash deposits	7’948	11’030
Bank deposits	21’712’907	21’955’191
	21’720’855	**21’966’221**
b) Financial assets		
Securities at market price	13’524’874	12’731’457
Securities at acquisition cost	204’500	204’500
	13’729’374	**12’935’957**
c) Property, plant and equipment		
Premises / furniture / IT systems	1	1
Office premises in Basel	3’700’000	3’700’000
	3’700’001	**3’700’001**
d) Provisions (short- and long-term)		
for general risks arising from business operations and to ensure continuity of the Association	27’134’000	26’732’000

Explanations of extraordinary, non-recurring or prior-period items included in the income statement

in CHF

a) **Extraordinary, non-recurring or prior-period expenses**	**01.04.20 – 31.03.21 (12 months)**	**01.01.19 – 31.03.20 (15 months)**
Short-term provisions	344’000	87’000
Long-term provisions	1’700’000	1’200’000
Other	59’880	0
	2’103’880	**1’287’000**

Additional provisions were created for general risks arising from business activities as well as for ensuring the Association’s continuity.

b) **Extraordinary, non-recurring or prior-period income**		
Release of provisions	1’642’000	846’000
Extraordinary income	0	50’000
Other	8’051	117’075
	1’650’051	**1’013’075**

Provisions were released to finance various expenses and to reduce membership fees in 2020 / 21.

Additional information

in CHF

a) Full-time equivalents

The average number of full-time equivalents for the year was over 50 in both the year under review and the previous year.

b) Assets pledged to secure own commitments

The assets pledged (financial investments) as collateral for own liabilities total CHF 720,000 (previous year: CHF 720,000).

c) Fees paid to the auditors	01.04.20 – 31.03.21 (12 months)	01.01.19 – 31.03.20 (15 months)
For audit-related services	22’617	23’586
For other services	30’309	0

Significant events after the balance sheet date

No material events occurred between the balance sheet date and the approval of the financial statements by the Board of Directors on 14.06.2021 that could affect the information contained in the 2020 / 21 financial statements or that would have to be disclosed herein.

10 Report of the statutory auditor

Ernst & Young Ltd
Aeschengraben 27
P.O. Box
4002 Basel

Phone: +41 58 286 86 86
Fax: +41 58 286 86 00
www.ey.com/ch

To the General Meeting of Members of

Swiss Bankers Association (Swiss Banking), Basel

Basel, 21 July 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Swiss Bankers Association (Swiss Banking), which comprise the balance sheet, income statement and notes (pages 28 to 35), for the following period, 1 April 2020 to 31 March 2021.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 March 2021 comply with Swiss law and the association's articles of incorporation.

2

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 69b civil code in conjunction with article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 69b civil code in conjunction with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Andreas Blumer (Qualified Signature)	Sabrina Di Maggio (Qualified Signature)
Licensed audit expert (Auditor in charge)	Licensed audit expert

Swiss Bankers Association (SBA)
Aeschenplatz 7
P.O. Box 4182
CH-4002 Basel
office@sba.ch
www.swissbanking.ch