



# SIF in 2020: Coronavirus, and more besides

The COVID-19 pandemic has confronted the world with a huge challenge of a completely new kind, for health, the economy and society. The coronavirus also had a major impact on the work of the State Secretariat for International Finance in 2020.

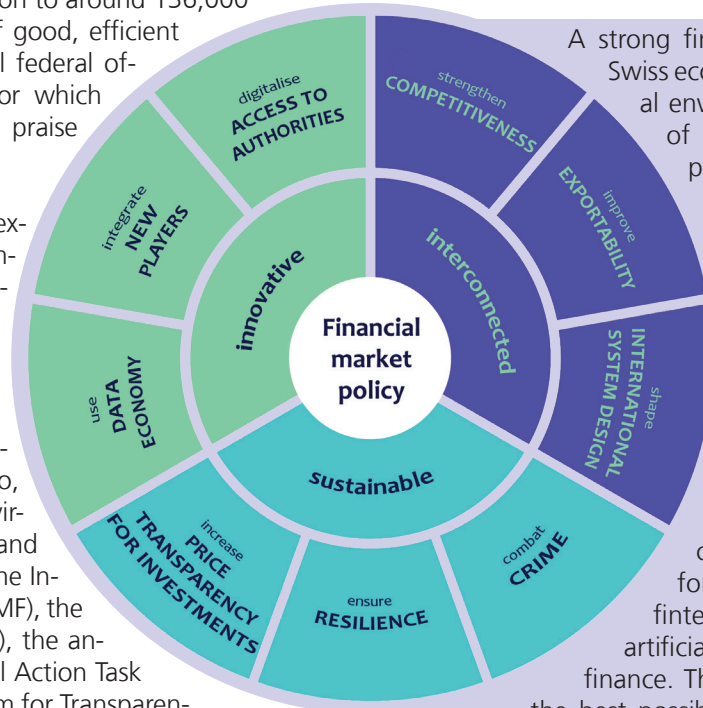
In March, when the authorities ordered a lockdown and the closure of service providers in particular, tens of thousands of Swiss SMEs suddenly faced the prospect of a liquidity shortfall, fears of widescale bankruptcies and job losses emerged, and financial market problems could not be ruled out either. The Federal Council acted swiftly and, within a very short time, SIF, the Federal Finance Administration (FFA), the State Secretariat for Economic Affairs (SECO) and the financial sector had set up a joint arrangement to provide fast and un-bureaucratic COVID-19 liquidity assistance for SMEs. The Swiss banks granted federally guaranteed bridging credits amounting to just under CHF 17 billion to around 136,000 Swiss SMEs – an example of good, efficient cooperation between several federal offices and the financial sector which also attracted attention and praise from abroad.

As regards international exchanges, the pandemic completely changed the established forms of cooperation. Instead of face-to-face negotiations anywhere in the world, discussions took place from laptops in offices or people's homes. Switzerland, too, had to represent its interests virtually in international bodies and organisations like the G20, the International Monetary Fund (IMF), the Financial Stability Board (FSB), the anti-money laundering Financial Action Task Force (FATF), the Global Forum for Transparency and Exchange of Information and the Organisation for Economic Co-operation and Development (OECD).

The virtual option was also predominantly used in bilateral negotiations, for instance for double taxation agreements, questions on the taxation of cross-border commuters and financial dialogues with other countries. However, the negotiations on a post-Brexit financial services agreement with the UK took place face-to-face in Bern in September. And on 23 December, the new agreement on the taxation of cross-border workers with Italy was signed in Rome.

The trend towards a sustainable economy continued unabated in 2020. In June, the Federal Council reaffirmed its ambition for Switzerland to maintain its place among the leading locations for sustainable financial services. In mid-December, the Federal Council announced concrete measures for a sustainable Swiss financial centre. These include increasing transparency, strengthening risk analysis and expanding Switzerland's involvement at international level.

The taxation of multinationals continues to be a key focus area for the OECD. Where and how should companies that operated internationally be taxed in the increasingly digital global economy? This remains an open question, as it was not possible for the more than 100 participating countries to reach a consensus on new global standards in 2020 as planned. The aim is now to arrive at a political solution in mid-2021.



A strong financial centre is key for the Swiss economy. A shifting international environment and the swift pace of technological change have prompted a strategic refinement of the Federal Council's financial market policy. The objective is to ensure that the Swiss financial centre continues to be among the global leaders. The Federal Council adopted the new financial market policy on 4 December 2020. Established strengths like stability, security and trust will be combined with an openness for new developments such as fintech, green fintech, blockchain, artificial intelligence and sustainable finance. The Federal Council is creating the best possible conditions for an innovative, sustainable and interconnected Swiss financial centre.

A new communications chapter was likewise opened. With their new joint information platform [finance.swiss](https://www.finance.swiss), the Confederation and the financial sector plan to showcase to an international audience the financial sector conditions and qualities that Switzerland offers in order to position itself as an attractive business location in the global competition between financial centres.

**The State Secretariat for International Finance** advocates Switzerland's interests in financial, monetary and tax matters vis-à-vis partner countries and international bodies. It is committed to good framework conditions to ensure that Switzerland has a secure, competitive and globally recognised financial centre and business location.



# 2020 review

## COVID-19 pandemic

On 20 March 2020, the Federal Council adopted a package of measures totalling CHF 32 billion to cushion the economic impact of the COVID-19 pandemic. Only a few days later, on 25 March 2020, the Federal Council adopted the emergency ordinance on the granting of credits with joint and several federal guarantees. This enabled SMEs to obtain credits within 30 minutes (!) to bridge COVID-related liquidity shortfalls. The banks and PostFinance disbursed the credits, subject to certain minimum criteria, starting on 26 March 2020.

## New financial market policy

On 4 December 2020, the Federal Council decided on a strategic refinement of financial market policy. This builds on traditional Swiss strengths such as high productivity, stability, security and trust, and combines them with an openness for new technological and international developments, and efforts to increase international competitiveness. Using the three key thrusts „innovative“, „interconnected“ and „sustainable“, the Federal Council has defined nine concrete areas of action for a future-proof Swiss financial centre.

## Expansion of international relations

Financial dialogue and bilateral working visits are used to establish and maintain privileged contacts with the financial and tax authorities in important partner states, and to improve market access. In this context, financial dialogues took place in 2020 with China, Hong Kong, Russia, Singapore and the UK, as well as bilateral meetings with Germany, France and Italy.

## Brexit

The bilateral agreements between Switzerland and the EU will no longer apply to the UK after it leaves the EU. On 30 June 2020, the two countries signed a joint statement on closer future cooperation in the area of financial services. The envisaged agreement should enable cross-border market access for a wide range of financial services relating to insurance, banking, asset management and capital market infrastructures.

## Distributed ledger technology (DLT)

The Federal Council wants to create the best possible conditions so that Switzerland can establish itself and evolve as a leading location for DLT companies. Moreover, on 25 September 2020, Parliament unanimously approved the bill to adapt federal law to developments in DLT. On that basis, the consultation on the implementing provisions was initiated on 19 October 2020.

## Sustainable finance

On 24 June 2020, the Federal Council adopted a report and guidelines on sustainability in the financial sector. The aim is for Switzerland to maintain its position as a leading location for sustainable financial services. On 11 December, the Federal Council adopted concrete measures aimed at increasing transparency, strengthening risk analysis and expanding Switzerland's international involvement. Moreover, a representative section of the Swiss financial market

voluntarily underwent an environmental impact assessment in 2020. The findings were published on 9 November 2020, and showed that further concrete measures are needed on the part of the financial sector.

## Integrity of the financial centre

Switzerland is actively involved in international efforts to combat money laundering and terrorist financing. It participates in drawing up international standards within the Financial Action Task Force (FATF) and implements its recommendations. A follow-up assessment by the FATF in 2020 acknowledged that Switzerland had made further progress. Switzerland and the US were the first countries to be rated on their technical compliance with Recommendation 15, which now encompasses virtual assets („largely compliant“).

## Cybersecurity

SIF is an active participant in efforts to boost cybersecurity for the Swiss financial centre. This involves strengthening cooperation and the flow of information to reduce cyber-risks and the negative impact of cyberattacks. This work takes place under the auspices of the National Cybersecurity Centre (NCSC). SIF is also involved at international level. In October, the FSB published a toolkit for financial institutions.

## Stability of the financial centre

In the wake of the financial crisis, Switzerland implemented many international standards to strengthen banks' resilience. In 2020, a further step followed: the Federal Council adopted an amendment to the Liquidity Ordinance (LiqO) aimed at ensuring the stability of banks' funding over the long term.

## Financial market regulation

A number of legislative projects in 2020 were related to the modernisation of financial market regulation: for example, Parliament approved the partial revision of the Insurance Policies Act, which will enter into force on 1 January 2022. On the same day at the latest, two further acts, whose dispatches were submitted to Parliament by the Federal Council in June and August 2020, will also come into force: the Banking Act, which contains revised rules on bank restructuring and deposit insurance, and the Collective Investment Schemes Act, which introduces a new fund category for qualified investors. In addition, in October 2020, the Federal Council adopted the dispatch on the Insurance Oversight Act. It proposes that small insurance undertakings with innovative business models be either wholly or partly exempted from supervision, provided that the protection of insured parties is maintained.

## Taxing the digital economy

At its meeting on 8 and 9 October 2020, the OECD's Inclusive Framework reviewed and then published blueprints on the tax challenges arising from the digital economy. A technical and political consensus was not reached. Switzerland took the opportunity to reaffirm its position on the subject: international companies should be taxed where added value is generated, new taxation rules should not impede growth and innovation, and tax competition must continue to be allowed within a fair framework.

## Double taxation agreements (DTAs)

DTAs prevent double taxation. They are an important element in promoting international economic activities. Switzerland has DTAs with over 100 states and continues to expand this network. In 2020, protocols of amendment with Liechtenstein, Malta and Cyprus were signed. Moreover, the protocols of amendment with Ireland, Korea, the Netherlands, New Zealand, Norway, Sweden and Ukraine came into force. Finally, Switzerland took the necessary steps to amend the DTAs with Luxembourg, Lithuania and the Czech Republic via the BEPS convention.

## Mutual agreement procedure

If double taxation occurs despite a DTA, or if there is a risk of such double taxation occurring, taxpayers resident in Switzerland can apply to SIF for a mutual agreement procedure. Most procedures concern European countries. In the reference year of 2019, 226 international mutual agreement procedures were completed in Switzerland.

## Financial Stability Board (FSB)

The FSB coordinates the creation and implementation of international standards on financial market regulation. Among other projects in 2020, it analysed the potential risks to financial market stability stemming from stablecoins and formulated ten recommendations in this regard. It also worked on evaluating the G20's too-big-to-fail reforms; this will be completed in early 2021. A further major area of focus for the FSB was COVID-19, including an analysis of the interplay between international standards in the area of finance and the COVID-related measures taken by the member states.

## G20

The group of the 20 most important advanced and emerging economies (G20) is the main informal international forum for the coordination of economic policy and regulation. For several years now, Switzerland has been invited to the Finance Track, where it actively participates in discussions on key issues regarding the global financial and economic system. Saudi Arabia's G20 presidency in 2020 was entirely given over to coordination of the global response to the pandemic and the need for a longer-term outlook for a sustainable recovery. Italy will hold the G20 presidency in 2021. In December 2020, it invited Switzerland to once again participate in the work of the G20 Finance Track in 2021.

## International Monetary Fund (IMF)

The IMF's main task is to ensure the stability of the global financial and economic system. In 2020, the IMF's activities were dominated by the COVID-19 crisis, where it was mainly involved in supporting its members with emergency loans to deal with the immediate challenges posed by the pandemic. Switzerland provided special contributions to help support the poorest countries. Furthermore, Parliament approved Switzerland's involvement in the long-term safeguarding of the IMF's regular resources and the Fund's Poverty Reduction and Growth Trust.

## Review of the implementation of international tax standards

### Global Forum on Transparency and Exchange of Information

The Global Forum ensures that the international standards regarding transparency and the exchange of information for tax purposes are complied with and consistently implemented. On 6 April 2020, it published its report for Switzerland on the second round of the peer review of the exchange of information upon request. Switzerland was once again rated as „largely compliant“, but received recommendations in a few areas.

### Inclusive Framework on BEPS

The Inclusive Framework on BEPS assesses the implementation of the BEPS minimum standards. In 2020, Switzerland was reviewed and obtained a good score for the exchange of country-specific information on large international companies (country-by-country reports) and for the spontaneous exchange of information on advance tax rulings, and was issued with three recommendations on tax rulings. Moreover, the OECD acknowledged the abolition, without an interim solution, of several tax regimes which are no longer accepted internationally, and which Switzerland abolished as part of the TRAF corporate tax reform. At the same time, it stated that the patent box solution introduced by Switzerland as a replacement was not harmful.

## International tax standards

### Automatic exchange of information

Switzerland has been implementing the global standard for the international automatic exchange of information in tax matters (AEOI) since 1 January 2017. At the end of September 2020, Switzerland exchanged AEOI data on more than 3 million financial accounts with 86 countries. On 11 November 2020, the Federal Council also put the amendment to the Federal Act on the International Automatic Exchange of Information in Tax Matters (AEOIA) and the associated ordinance into force with effect from 1 January 2021. In doing so, it took account of the Global Forum's recommendations on the Swiss AEOI legal basis.

### Spontaneous exchange of information

Since 2018, Switzerland has been exchanging information on advance tax rulings within the framework of the spontaneous exchange of information based on the Administrative Assistance Convention. In 2020, around 800 exchanges of information on advance tax rulings took place with other countries. In addition, Switzerland was subject to a further review of the effective exchange of information (reference year: 2019).

### Country-by-country reports

Within the framework of the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports, Switzerland has undertaken to exchange such reports from multinational companies with partner states. In 2020, the exchange of these reports took place with 57 partner states, and was mandatory for the first time.

# Regulatory projects in 2020

## Financial market regulation

<b>Capital Adequacy Ordinance (CAO)</b>	Simplifications for small banks and securities firms, capitalisation of systemically important banks	<u>Entry into force:</u> 1.1.2020
<b>Liquidity Ordinance (LiqO)</b>	Introduction of a net stable funding ratio (NSFR)	<u>Entry into force:</u> 1.7.2021
<b>Banking Act (BankA)</b>	Revised rules for bank restructuring, deposit protection and segregation of intermediated securities	<u>Dispatch:</u> 19.6.2020; planned entry into force: start of 2022 at the earliest
<b>Financial Services Ordinance (FinSO), Financial Institutions Ordinance (FinIO), Supervisory Organisation Ordinance (SOO)</b>	Implementing provisions for the Financial Services Act (FinSA: provision of financial services) and the Financial Institutions Act (FinIA: financial institution supervision)	<u>Entry into force of federal acts and ordinances:</u> 1.1.2020
<b>Collective Investment Schemes Act (CISA)</b>	Creation of a new unregulated fund category exclusively for qualified investors (Limited Qualified Investor Fund; L-QIF)	<u>Dispatch:</u> 19.8.2020; planned entry into force: start of 2022 at the earliest
<b>Insurance Policies Act (IPA)</b>	Partial revision aimed at strengthening the rights of insured parties	<u>Entry into force:</u> 1.1.2022
<b>Insurance Oversight Act (IOA)</b>	Partial revision; rules on the restructuring of insurance companies, introduction of customer categorisation, rules of conduct for the insurance industry	<u>Dispatch:</u> 21.10.2020
<b>Ordinance to the Financial Market Supervision Act (FINMASO)</b>	Ordinance on FINMA's tasks at the international level, regulatory principles, and cooperation and information exchange with the FDF	<u>Entry into force:</u> 1.2.2020

## Anti-Money Laundering

<b>Anti-Money Laundering Act (AMLA)</b>	Implementation of FATF recommendations; measures for advisers, financial intermediaries, trading in precious metals and precious stones, transparency of associations	<u>Under consideration by Parliament</u> (in German, French, Italian)
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## Tax

<b>Federal act and ordinance on the international automatic exchange of information in tax matters (AEOIA/AEOIO)</b>	Implementation of the Global Forum's recommendations on the Swiss AEOI legal basis	<u>Entry into force of the amendment to the federal act and the ordinance:</u> 1.1.2021
<b>Federal Act on the Implementation of International Tax Agreements (ITAIA)</b>	Total revision; codification of current practice in international tax law	<u>Dispatch:</u> 4.11.2020

## Digitalisation

<b>Federal Act on the Adaptation of Federal Law to Developments in Distributed Ledger Technology, plus blanket ordinance</b>	Amendments to ten federal acts, to improve framework conditions for blockchain and distributed ledger technology (DLT), plus the blanket ordinance with implementing provisions	<u>Consultation on blanket ordinance:</u> 19.10.2020-2.2.2021 <u>Entry into force of act and ordinance:</u> probably 1.8.2021
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