



# The year's watchwords: stability and integrity

## 2023 activity report of the State Secretariat for International Finance SIF



A sound and stable financial centre is very important for Switzerland's competitiveness as a global leading location. The State Secretariat for International Finance (SIF) drew up key proposals on both of these aspects in 2023:

In March, the **stability of the financial system** was put to the test. For the first time since the introduction of the too-big-to-fail regulations, a global systemically important bank, Credit Suisse, found itself on the brink of collapse.

Thanks to the close collaboration between the Federal Department of Finance (FDF), the Swiss National Bank and the Swiss Financial Market Supervisory Authority, a collapse with unforeseeable consequences for the Swiss economy and national and international financial stability was avoided. UBS took over Credit Suisse, backed by state guarantees.

UBS has since decided not to avail itself of any state-guaranteed liquidity assistance, or the state loss protection guarantee in the amount of CHF 9 billion. Taxpayers incurred no losses from these guarantees. In fact, the Confederation earned around CHF 200 million in interest and premia.

**Money laundering and terrorism financing** pose a serious

threat to the integrity of financial systems worldwide. The Federal Council is therefore constantly adapting the statutory framework to protect the financial centre. New provisions on up-to-date client data entered into force on 1 January. Moreover, in August, the Federal Council initiated a consultation on legislative amendments in this regard. The aim is to strengthen the fight against money laundering with a federal register of beneficial owners of firms, due diligence for particularly risky activities in legal professions, and other measures. The proposed measures are in line with international standards.

In addition, Switzerland and the United Kingdom signed a **financial services agreement** on 21 December: For the first time, two major financial centres are enabling or facilitating cross-border business for a broad range of financial services based on mutual recognition, while maintaining the protection objectives of financial market legislation.

*You can find information on this and other SIF activities on the following double page, as well as an overview of all legislative projects and agreements on page 4.*

### State Secretariat for International Finance (SIF)

The SIF advocates Switzerland's interests in financial, monetary and tax matters. It is committed to good framework conditions for a secure, competitive and globally recognised financial centre and business location focused on innovation and sustainability.



# 2023 review

## Systemically important banks [↗](#)

On 19 March, the Federal Council announced a package of measures enabling the **takeover of Credit Suisse by UBS** (see page 1). At the end of March, the Federal Council decided to review the **too-big-to-fail** legislation. The results of the review will be published by spring 2024 as part of the reporting in accordance with Article 52 of the Banking Act.



## Combating money laundering [↗](#)

On 30 August, the Federal Council initiated a public **consultation** on a proposal to close gaps in the current legislation (see page 1). At the same time, the international Financial Action Task Force (FATF), in its follow-up report of 19 October, acknowledged Switzerland's progress on combating money laundering and terrorism financing since the most recent mutual evaluation in 2016.

## Public liquidity backstop (PLB) [↗](#)

On 6 September, the Federal Council adopted the dispatch introducing a public liquidity backstop (PLB) for systemically important banks. It had already decided on the key parameters for a PLB to strengthen the stability of the financial sector in March 2022. The PLB was put into force by **ordinance** in March during the takeover of Credit Suisse by UBS. The PLB and some provisions of the ordinance that remain necessary are now to be transferred into **ordinary law**. Internationally, the PLB is part of the standard toolkit for banking crises.

## Final Basel III framework [↗](#)

The Federal Council adopted the amended **Capital Adequacy Ordinance** on 29 November. It is scheduled to enter into force at the beginning of 2025. This bill transposes the final Basel III standards adopted by the Basel Committee on Banking Supervision (BCBS) into Swiss law. Basel III is a comprehensive reform package, which aims to strengthen the solvency and liquidity of banks in particular. On average, capital requirements for the banking sector will not change significantly. However, for the remaining big bank, UBS, they will increase.

## Financial Stability Board (FSB) [↗](#)

In 2023, the FSB's activities were dominated by the **banking crises** in the United States and Switzerland. After financial stability was successfully preserved, the FSB formulated potential options for improving the implementation of international standards. In addition, it published recommendations on cryptoassets and stablecoins, and continued its work on risks in the non-banking

sector and climate issues. Administratively, the FSB is hosted by the Bank for International Settlements (BIS). Switzerland is a founding member.

## International Monetary Fund (IMF) [↗](#)

The IMF's main task is to ensure the stability of the global financial and monetary system. On 17 May, the Federal Council proposed that Switzerland supports the IMF's **Resilience and Sustainability Trust (RST)** with a loan. It submitted the dispatch to Parliament for a credit guarantee of CHF 750 million. The RST enables IMF loans to be granted for macroeconomic reforms and structural measures to deal with climate change, as well as to prevent and combat pandemics.

## G20 [↗](#)

The group of the 20 most important advanced and emerging economies (G20) is the main informal international forum for coordinating economic policy and regulation. For several years, Switzerland has regularly been invited to the **Finance Track**, allowing it to be actively involved in discussions on key issues regarding the global financial system. India's G20 presidency in 2023 was marked by the war in Ukraine and the management of global challenges (climate change, reform of multilateral development banks). Brazil will hold the G20 presidency in 2024, and Switzerland has once again been invited to participate in the work of the G20 Finance Track.



## Strengthening foreign relations [↗](#)

Financial dialogues and bilateral working visits serve to establish and maintain privileged contacts with financial and other authorities in major partner states, and to improve market access. In 2023, financial dialogues took place with **France, Hong Kong, Liechtenstein, Singapore** and the **United Arab Emirates**, and bilateral discussions were held with **Belgium, Germany, Italy, Austria, Sweden, Spain, the United Kingdom, the European Commission** and the **United States**.

## Financial agreement Switzerland-UK [↗](#)

On 21 December, Switzerland and the United Kingdom (UK) signed a mutual recognition agreement (MRA) on the **equivalence of each other's legal and supervisory frameworks** (Berne Financial Services Agreement, see page 1).

## Stock exchange protective measure [↗](#)

On 29 November, the Federal Council decided that the

stock exchange protective measure which has been in place since 2019 would be anchored in legislation with effect from 1 January 2024. In this way, Switzerland **avoids the negative consequences** of ongoing lack of EU stock exchange recognition.

### Financing for earthquake damage to buildings [🔗](#)

On 8 December, in response to a parliamentary motion, the Federal Council initiated the consultation on financing for earthquake damage to buildings. A constitutional amendment is intended to oblige building owners to finance earthquake damage to buildings according to the solidarity principle. This will strengthen **protection against earthquake risks** in Switzerland. The consultation will last until 22 March 2024.

### Sustainable finance [🔗](#)

**Greenwashing** refers to the practice of deceiving clients about the sustainable characteristics of financial products and services. The Federal Council took note of further steps in this area on 25 October. By the end of August 2024, a proposal will be drawn up to implement the Federal Council's position on the prevention of greenwashing. In December, the Federal Council decided to develop the **Swiss Climate Scores** further. These create best-practice transparency on the climate compatibility of financial investments. On 4 December, SIF and a delegation from the financial sector took part in the Finance Day at the **COP28** climate conference in Dubai.



### Digital finance [🔗](#)

In June, SIF and Singapore jointly organised the **Point Zero Forum**, an international fintech conference, in Zurich. In addition, the Financial Innovation Desk **FIND** went into operation on 1 September. It is intended to act as a central public hub for all financial innovation matters in Switzerland.

### Strengthening Switzerland as an insurance location [🔗](#)

The revised **Insurance Oversight Act** (IOA) strengthens the protection of insured persons, as well as Switzerland's competitiveness and innovative capacity as a location for insurance. Among other things, the legal basis for the legislation on intermediation was revised and the right to restructure was introduced for insurance companies in difficulty. The likewise revised **Insurance Oversight Ordinance** implements the new legal requirements and

anchors the Swiss Solvency Test (SST), which was previously regulated by FINMA, at ordinance level. The Federal Council put both revised pieces of legislation into force with effect from 1 January 2024.

### Minimum taxation [🔗](#)

Upon the initiative of OECD and the G20, around 140 countries, inclusive Switzerland, have acknowledged that large, internationally active corporate groups should pay at least 15% tax on their profits. On 18 June, the Swiss electorate approved a change to the Constitution to introduce this minimum taxation. In December, the Federal Council decided to bring the minimum taxation into force on 1 January 2024.

### Agreements on cross-border commuters [🔗](#)

The new agreement with **Italy** [🔗](#) on the taxation of cross-border commuters, which was signed in July, will apply from 1 January 2024. This improves the current regulatory situation considerably. In April, Italy removed Switzerland from its tax **blacklist**. Moreover, on 28 November, the two countries signed a memorandum of understanding on the taxation of home working. On 27 June, Switzerland signed an additional agreement supplementing the double taxation agreement with **France** [🔗](#). It implements the new and permanent taxation rules set up at the end of 2022 for income from home working.

### Exchange of information for tax purposes [🔗](#)

In 2023, as part of the automatic exchange of information (**AEOI**), Switzerland sent information on some 3.6 million financial accounts to 104 countries and received data on 2.9 million accounts. On 10 November, around 50 countries including Switzerland recognised the expanded AEOI. The expansion concerns **cryptoassets** and will apply from 1 January 2026. Moreover, information on advance tax **rulings** for 2022 was spontaneously exchanged around 400 times in 2023. In addition, the exchange of **country-by-country reports** on multinational enterprises was activated with 86 partner states.

### 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 is continuing to expand this network. In 2023, one new and two revised DTAs entered into force, and two revisions were signed (see page 4).

### Mutual agreement procedures [🔗](#)

If, despite a DTA, **double taxation occurs or 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 2022 (latest available figures), 211 international mutual agreement procedures were completed in Switzerland. The OECD rated the procedures carried out in Switzerland as the most efficient in the world.

## Financial market regulation

<b>Banking Act (BankA) and Banking Ordinance (BankO)</b>	Revised rules for bank restructuring, deposit protection and segregation of intermediated securities.	<u>Entry into force:</u> 1.1. 2023
<b>Ordinance on additional liquidity assistance loans and the granting of federal default guarantees for liquidity assistance loans from the SNB to systemically important banks</b>	Emergency ordinance. Support for takeover of Credit Suisse by UBS: the SNB may grant additional liquidity assistance to systemically important banks and the Confederation may grant the SNB a default guarantee for liquidity assistance loans. Basis: emergency law (Art. 184/185 Federal Constitution).	<u>Entry into force:</u> 16.3. and 18.3.2023, respectively (for six months)
<b>Banking Act (BankA) and emergency ordinance</b>	Introduction of a public liquidity backstop (PLB) for systemically important banks, transfer of emergency ordinance into ordinary law.	<u>In Parliament</u> <u>Entry into force:</u> 2025 at the earliest
<b>Capital Adequacy Ordinance (CAO)</b>	Implementation of the final Basel III international standard.	<u>Entry into force:</u> 1.1.2025
<b>Financial Market Infrastructure Act (FinMIA)</b>	Avoidance of the negative consequences threatening Switzerland as a stock exchange, financial and economic location due to the EU's failure to recognise stock exchange equivalence (stock exchange protective measure).	<u>Entry into force:</u> 1.1.2024
<b>Collective Investment Schemes Act (CISA) and Collective Investment Schemes Ordinance (CISO)</b>	Creation of a new unregulated fund category exclusively for qualified investors (Limited Qualified Investor Fund; L-QIF).	<u>In Parliament</u> <u>Entry into force:</u> Q1 2024
<b>Insurance Oversight Act (IOA) and Insurance Oversight Ordinance (IOO)</b>	Rules on the restructuring of insurance companies, introduction of customer categorisation, rules of conduct for the insurance industry.	<u>Entry into force:</u> 1.1.2024
<b>Mutual recognition agreement with the United Kingdom</b>	Switzerland-UK agreement on mutual recognition in financial services to enable/facilitate cross-border business activities.	<u>Signed on:</u> 21.12.2023

## Combating money laundering

<b>Anti-Money Laundering Act (AMLA) and Anti-Money Laundering Ordinance (AMLO)</b>	Implementation of FATF recommendations. Measures for financial intermediaries, monitoring and control of precious metals, transparency of associations.	<u>Entry into force:</u> 1.1.2023
<b>Act on the transparency of legal entities</b>	Introduction of a federal register of beneficial owners of legal entities, due diligence requirements for particularly risky activities in legal professions, as well as other provisions.	<u>Consultation:</u> 30.8 - 30.11.2023

## Tax

<b>Federal Constitution (minimum taxation)</b>	Common approach to introducing a minimum tax of 15% for large multinational enterprises.	<u>Approved in a popular vote</u>
<b>Double taxation agreements (DTAs)/taxation of home working</b>	In 2023, a new DTA with <u>Ethiopia</u> came into force, and two were signed with <u>Angola</u> and <u>Jordan</u> . Switzerland also signed amendment protocols with <u>Germany</u> , <u>France</u> , <u>Serbia</u> and <u>Slovenia</u> , while those with <u>Armenia</u> , <u>Iran</u> and <u>Tajikistan</u> entered into force.	
<b>Agreement with Italy on cross-border commuters</b>	New agreement on cross-border commuters, replacing the agreement from 1974. Clear improvement in taxation of cross-border commuters. New memorandum of understanding regarding rules on the taxation of home working.	<u>Applicable from:</u> 1.1.2024

## Miscellaneous

<b>Federal Constitution (financing for earthquake damage to buildings)</b>	The Confederation should have the power to issue rules on the protection of people and assets in an earthquake, and to levy a contribution to finance earthquake damage to buildings.	<u>Consultation:</u> 8.12.2023 - 22.3.2024
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