

# SFAMA News

Summer edition

2015

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## Introduction

### Changes in the SFAMA Board of Directors

#### Dear readers

This year's annual general meeting of the Swiss Funds & Asset Management Association, held in Bern on 27 March, saw some changes in the Board of Directors, with Gérard Fischer of Swisscanto Holding Ltd. and Alexandre Meyer of Lombard Odier Asset Management (Switzerland) SA both stepping down. Gérard Fischer had spent twelve years on the SFAMA Board of Directors as the representative of the Association of Swiss Cantonal Banks. He had served as SFAMA's President (2005-2009) and Vice-President (2009-2015), and had also chaired its Asset Management specialist committee since 2010. Alexandre Meyer had been on the Board for seven years as the representative of the Association of Swiss Private Banks, and had also chaired SFAMA's Legal & Compliance specialist committee from 2012. SFAMA thanks Gérard Fischer and Alexandre Meyer for their dedicated commitment over the years, and wishes both of them all the very best for the future, both professionally and personally.

#### Hans Frey and Nicolas Tschopp newly elected

At the AGM, the members of SFAMA elected Hans Frey and Nicolas Tschopp to the Board of Directors, to serve as the representatives of the Association of Swiss Cantonal Banks and the Association of Swiss Private Banks respectively. Hans Frey is CEO designate of Swisscanto Asset Management AG, while Nicolas Tschopp is General Counsel at Pictet Asset Management SA. The SFAMA Board of Directors now has the following nine members: Felix Haldner (President), Hans Frey, Martin Jufer, Christoph Ledergerber, Petra Reinhard Keller, Markus Steiner, Martin Thommen, Nicolas Tschopp, and André Ullmann.

### 4<sup>th</sup> World Funds Day

#### 19 April

On 19 April 2012, the first World Funds Day staged. Why this date in particular? The answer is that the Amsterdam-based merchant Abraham van Ketwich was born on 19 April 1744, and in 1774 he was the first to bring together a broad group of investors who bought units in a type of fund called Eendragt Maakt Magt (Unity Fosters Strength). This fund then invested in bonds of various governments, banks, and in West Indian credits. A few years before, numerous British banks had been plunged into insolvency having given high loans to a limited number of colonies. Van Ketwich recognized that broad diversification of risk was crucial in determining investment success. As such, he can be regarded as the father of the philosophy of fund investing, so to speak. The World Funds Day gives providers and associations alike a platform to present information on the basic principle behind investment funds – and SFAMA was among those taking part.



## In focus

### Index investments – the acid test is yet to come

#### Few reservations

It is striking to note that for some time there has been a dearth of criticism regarding indexing and exchange-traded funds. ETFs are transparent, cheap, and liquid. So what more could you wish for (as long as the equity markets are faring so well)?

#### A look back through history

Investment funds have become increasingly popular over the last 30 years. However, over this period the history of funds has also thrown up many object lessons to remind us of the limited shelf-life of many fund trends. Precisely at moments when marketing arguments have increasingly come to the fore rather than investment aspects, hefty setbacks have ensued. For example, before the stock market correction in 2001 and 2002, which saw the MSCI equity index shed some 20% in each year, banks were still launching dozens of sector and theme funds, but they often vanished shortly thereafter. Thereafter, and as a consequence of the 2001/02 crash, the hype centered on hedge funds and the absolute return approach – this while the markets were on the way back up. Only a renewed stock market crisis in 2008 discouraged the launch of hedge funds on themes and sectors on a large scale. Hedge funds were then pilloried in 2008/09, and their weaknesses – namely intransparency, high prices, and low liquidity – provided the ideal platform for selling index products.

#### The acid test comes when the markets correct

Smart beta ETFs are now being produced en masse, just as we witnessed with structured products prior to 2008. However, the acid test is likely to come with the next major stock market correction, since the majority of ETFs are based on equity indexes. Then at the latest, people will realize that if it is negative, even relative outperformance cannot finance their livelihoods – unless things really are different this time round. Meanwhile the absolute return products and alternative investments currently seeing little demand from private clients are likely to enjoy a resurgence. History will probably repeat itself.

#### Critical distance

This is not to denigrate the recognized advantages of index products – on the contrary. The fact that people are taking an increasingly critical look at products that are essentially passive but charging active prices is down to index products. That said, reducing the intrinsic value of active management to the question of costs also unquestionably falls short of the mark. Most providers rightly do not view these two product categories as polar opposites in an either/or choice. However, it is important to put index products to the test over a somewhat longer timeframe, and also to bring some critical thought into the debate. This despite – or even because of – the markedly positive attitude currently prevailing toward indexing.

Report by Markus Fuchs, SFAMA Managing Director



## Latest News

### Deadlines coming up!

#### Reminder

In this section we highlight any significant deadlines coming up over the short term. This is aimed at assisting your planning, but it is by no means an exhaustive list.

### Partial revision of the CISA and CISO

**1 March 2013 –  
28 February 2018**

The transitional provisions regarding the amendments to the Collective Investment Schemes Act (CISA) of 28 September 2012 are to be found in Articles 158a – 158e CISA, and those governing the amendments to the Collective Investment Schemes Ordinance (CISO) of 13 February 2013 in Article 144c CISO. Barring any ruling to the contrary in the specific transitional provisions, the new provisions apply from the entry into force on 1 March 2013. In its Newsletter 48 dated 17 May 2013, FINMA added specific detail with regard to the authorization requirement for asset managers of collective investment schemes, as well as the applicable statutory transitional provisions for CISA institutions and collective investment schemes. It also provided a brief overview of amendments to regulations downstream from the CISA and CISO.

### Complete revision of the CISO-FINMA

**1 January 2015 –  
1 January 2017**

The transitional provisions regarding the complete revision of 27 August 2014 are set out in Article 118 CISO-FINMA. Barring any ruling to the contrary in the specific transitional provisions, the new provisions apply from the entry into force, i.e. from 1 January 2015.

### Guidelines on the Distribution of Collective Investment Schemes

**30 June 2015**

Existing distribution agreements must be amended by no later than 30 June 2015. Compliance with the new requirements in the Appendix „*Provisions for Distributors*“ is only required once the corresponding amendments have been made to the respective distribution agreements.

## Transparency Guidelines

### Guidelines on Duties Regarding the Charging and Use of Fees and Costs

**31 August 2015**

Fund management companies / SICAVs and representatives of foreign investment funds must submit fund contracts, fund regulations or sales prospectuses amended in line with these Guidelines to the supervisory authority for approval by no later than 31 August 2015.

**Ongoing**

With respect to the granting of rebates, compliance with the respective provisions is only required once the corresponding amendments have been made to the fund contract, fund regulations or sales prospectus.

## SFAMA Code of Conduct

**31 December 2015**

The SFAMA Code of Conduct entered into force on 1 January 2015. There will be a transitional period to 31 December 2015, during which fund management companies, investment companies with variable capital (SICAVs), limited partnerships for collective investment, investment companies with fixed capital (SICAFs), CISA asset managers, and representatives of foreign collective investment schemes, as well as their agents, are to carry out the necessary implementation work, in particular with regard to amending existing contracts.



## Fund markets

### Key data on the international fund business

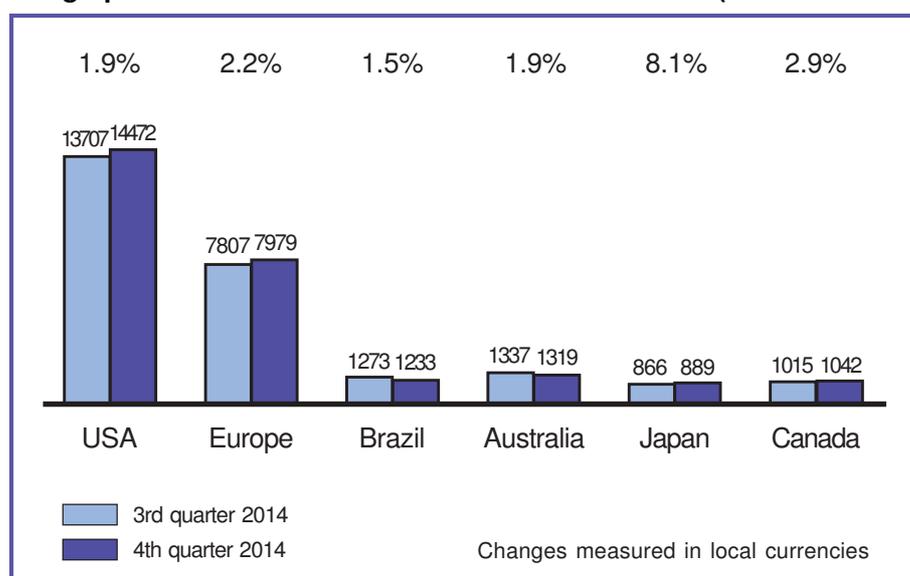
#### EUR 28.29 trillion in fund assets worldwide

The volume of assets invested in funds worldwide has been rising unabated since Q2 2013, although the increases became especially pronounced in 2014, with a clear increase of 6.2% in Q3 in particular. There was also an excellent showing of +3.9% in Q4 2014. At the end of 2014, the total volume of assets invested in funds worldwide stood at EUR 28.29 trillion, the highest level since the turn of the century. This translates into a phenomenal increase of EUR 4.5 trillion since the start of the year, or approximately 18.9%.

#### Regional differences of fund volumes fairly uniform worldwide

Measured in local currency terms and including funds of funds, the US showed a rise of 1.9% in Q4 2014, the volume of fund assets increasing to a handsome EUR 14.5 trillion. According to the latest EFAMA report, around EUR 8.0 trillion were invested in funds in Europe, up 2.2% quarter-on-quarter. Fund volumes in the US rose by 20.1% year-on-year, while Europe posted an increase of some 16.2%. Canada also recorded a decidedly respectable showing in 2014 with a gain of 20.9%. However, when expressed in EUR terms, Australia and Brazil also boasted clearly higher numbers (12.0% / 11.3%), while Japan also succeeded in markedly increasing volumes (17.3% in EUR terms).

#### Geographical trends in investment fund assets in Q4/14 (in EUR billions)



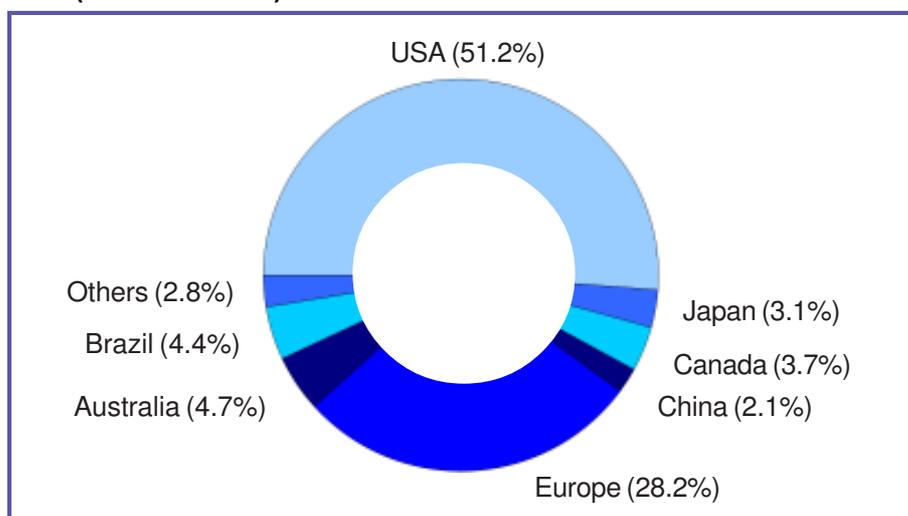
Source: EFAMA International Statistical Release, April 2015

#### US the clear leader on the international front

Comparing the data gathered, as of the end of last year the US's share of the global assets invested in funds remained very high and stable at 51.2% (up 0.9 of a percentage point qoq). Europe remained in second spot, still below the 30% mark at 28.2% (down 0.5 of a percentage

point qoq). Australia and Brazil were essentially level-pegging in third place at 4.7% and 4.4% respectively. If non-UCITS assets were also taken into account, Europe's market share would be around 35.8%.

#### Geographical trends in investment fund assets by end of December 2014 (in EUR billions)

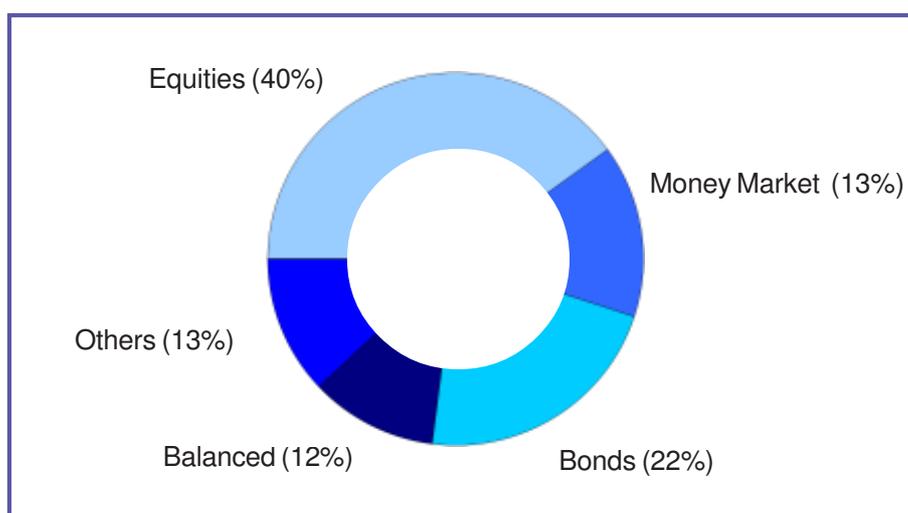


Source: EFAMA International Statistical Release, April 2015

#### Some EUR 11.4 trillion invested in equity funds at end of 2014

The volume of assets invested in equity funds worldwide came to EUR 11.44 trillion, more than three times that of money market funds with around EUR 3.73 trillion. Bond funds gained ground over the year as a whole, rising by about EUR 0.94 trillion to EUR 6.11 trillion. At the end of 2014, around 40% of fund assets worldwide were invested in equity funds, exactly the same as in 2013. In keeping with the performance on the markets, balanced/mixed asset funds found slightly more favor among investors (+1 percentage point), while money market funds slipped back by 2 percentage points.

#### Composition of worldwide investment fund assets by category, end-2014



Source: EFAMA International Statistical Release, April 2015

## Global fund universe of 91,600 funds

By the end of 2014, the fund universe covered by EFAMA had reached a total of 91,600 funds. This corresponds to a year-on-year increase of 3,684 products. A comparison of the funds in terms of asset allocation shows around 32% in the equities category and around 17% in the bonds category.

## Europe can look back on a good year

2014 can be regarded an exceptionally satisfactory year for Europe's fund industry, with net inflows recorded in each quarter. The highest inflows were in Q1 at EUR 148 billion. Inflows in Q4 were lower at EUR 59 billion, but nonetheless still well into positive territory. Bond funds in particular contributed to this result, with inflows of EUR 190 billion over the year as a whole. Both balanced/mixed funds and equity funds recorded positive asset flows on balance (up EUR 186 billion and EUR 61 billion respectively). Money market funds again suffered outflows in 2014, down EUR 5 billion.

## Increase in assets under management with Swiss banks

### Securities totaling CHF 5.6 trillion held in Swiss custody accounts

The securities holdings in client custody accounts at Swiss banks were clearly in excess of the CHF 5 trillion mark throughout 2014. According to the SNB statistics, the figure stood at CHF 5.57 trillion at the end of December 2014. This was 9.2% more than at the beginning of the year, and holdings have increased further since then. As of the end of March, they stood at CHF 5.59 trillion. According to the SNB Monthly Statistical Bulletin for May 2015, non-resident clients accounted for around 53% of the total custody account holdings, roughly on a par with last year.

### Comparison of fund holdings

A comparison of fund holdings shows differing trends for resident and non-resident custody account clients. Between the beginning of the year and the end of March 2015, the fund assets held by resident custody account clients rose by CHF 25 billion to CHF 1,008 billion (+2.5%), while the corresponding figure for non-resident clients fell by CHF 8 billion to CHF 803 billion (-1.0%).

The weighting of fund holdings in custody accounts of resident clients has risen slightly over the course of the year, and stood at around 38.7% at the end of March. Over the same period, the weighting of funds for non-resident clients fluctuated between 26.2% and 27.2%. It is still primarily resident clients that hold funds under Swiss law in their custody accounts; at around CHF 625 billion these holdings make up more than half of volume of collective investment schemes. Non-resident investors are still tending to avoid this fund type (the figures are down slightly at around 9.0%). The CHF 75 billion increase in volumes year-on-year thus stems mainly from foreign funds.

## Swiss fund market in 2015

Cooperation between  
SWISS FUND DATA  and  


Swiss Fund Data AG, a subsidiary of the Swiss Funds & Asset Management Association (SFAMA) and SIX Swiss Exchange Ltd, has been publishing statistics for the Swiss fund market together with Morningstar Switzerland GmbH since the beginning of March 2014. The market data of the two companies are brought together and published by Swiss Fund Data AG in the form of public market statistics and via a monthly statistics subscription service. This offering is complemented by the regular market commentaries from SFAMA, which cover the development of the Swiss fund market.

Fund volumes around  
CHF 876.2 billion

According to the statistics on the Swiss fund market, the total volume stood at CHF 876.2 billion at the end of March 2015, an increase of nearly CHF 12 billion quarter-on-quarter (1.4%). The figures are based on the FINMA authorization list and cover all funds under Swiss law as well as all foreign funds authorized for public sale in Switzerland, including institutional unit classes.

Broken down by asset class, equity funds still have the largest share at 41%, followed by bond funds with around 31.2%. Asset allocation funds remain in third spot with around 12.6%.

### Development of fund assets since January 2015

Fund category	Volumes 31.12.2014	Volumes 31.03.2015	Overall change
Equities	336.6	359.0	+ 22.4
Bonds	268.0	273.0	+ 5.0
Money Market	63.5	60.4	- 3.1
Asset Allocation	105.8	110.6	+ 4.8
Others	5.1	3.5	- 1.6
Natural resources	19.0	18.9	- 0.1
Alternatives	34.5	22.9	- 11.6
Real Estate	31.9	27.9	- 4.0
<b>Total Swiss Market</b>	<b>864.4</b>	<b>876.2</b>	<b>+ 11.8</b>

Source: Swiss Fund Data AG / Morningstar (in CHF billions)

More Swiss funds  
authorized

The number of funds established under Swiss law fell in 2012, but there was a clear turnaround in this respect in 2013 (+85) and 2014 (up 48 to 1,515 products). A total of 1,517 Swiss-law products are now registered with FINMA, including 18 limited partnerships for collective investment.

Further increase in  
foreign-domiciled funds  
authorized in Switzerland

At the end of March, the number of funds authorized for public sale stood at 6,853, an increase of 152 funds quarter-on-quarter or 550 year-on-year. This came primarily on the back of foreign funds (above all those domiciled in Luxembourg). Luxembourg and Ireland have been able to maintain and further extend their leads among the domicile locations.

### Development of number of funds by type of fund / fund location

(in brackets: funds for qualified investors)

Fund type / Fund location	As of end- Dezember 2014		As of end- March 2015		Change in the year 2015	
<b>Swiss funds</b>	<b>1515</b>	<b>(734)</b>	<b>1517</b>	<b>(730)</b>	<b>2</b>	<b>- (4)</b>
Swiss limited partnerships	18	(18)	18	(18)	0	(0)
Securities funds	141	(0)	141	(0)	0	(0)
Other funds for trad. investm.	1244	(681)	1246	(675)	2	- (6)
Other funds for altern. investm.	63	(17)	62	(17)	- 1	(0)
Real estate funds	49	(18)	50	(20)	1	(2)
<b>Non-Swiss funds</b>	<b>6701</b>		<b>6853</b>		<b>152</b>	
Luxemburg	4539		4661		122	
Ireland	1223		1264		41	
Other countries	939		928		- 11	
<b>Total Swiss and Non-Swiss</b>	<b>8216</b>	<b>(734)</b>	<b>8370</b>	<b>(730)</b>	<b>154</b>	<b>- (4)</b>

Source: FINMA (as of the beginning of April 2015)

### Exchange-traded funds extremely popular

#### Turnover exceeds CHF 33 billion on the SIX Swiss Exchange in Q1

ETF turnover on the SIX Swiss Exchange totaled CHF 90.8 billion in 2014, almost exactly the same level as in 2013. The same figure for the first quarter of this year was already CHF 33.2 billion, showing that these products are once again on track for a new record level. ETFs remain exceptionally popular.

The number of admitted products also continued to rise; as of 31 March 2015, there were 1,018 ETFs from 19 providers listed on the SIX Swiss Exchange. There are currently 23 market makers ensuring both liquidity and trading with appropriate bid/ask spreads. In terms of asset classes, the bulk of ETFs (702 products) are still concentrated on equities, with a good 200 on bonds and 90 focusing on commodities.

Looking back, we can see that the number of transactions rose from 53,000 in 2003 to some 912,000 in 2014 (in 2013 there were around 932,000). Meanwhile, the average trade size has fallen from around CHF 155,000 to below CHF 100,000, and in 2014 stood at CHF 99,620. What is more interesting here is the median, which fell from CHF 29,964 to CHF 14,081 over the same period (i.e. in terms of volumes, half of the orders were above this amount and half below).

#### European ETFs turn 15

More than 15 years ago, on 11 April 2000, the first two ETFs on a European blue chip index were listed on the Xetra in Germany. The pioneer back then was Merrill Lynch with an ETF on the EURO STOXX 50. The number and volumes of ETFs have risen steadily ever since. At the end of March 2015, 2,269 ETPs from 45 providers were listed in 22 European countries, with assets totaling USD 494 billion.

#### Trends in the ETF segment

iShares/BlackRock sees the following five trends in the development of the European ETF sector going forward: 1. ETFs will continue to serve as core exposures, 2. bond ETFs will be the next growth driver, 3. the significance of smart beta products will increase markedly, 4. the investor base will expand, and 5. new opportunities for use will come to the fore.

## Different uses

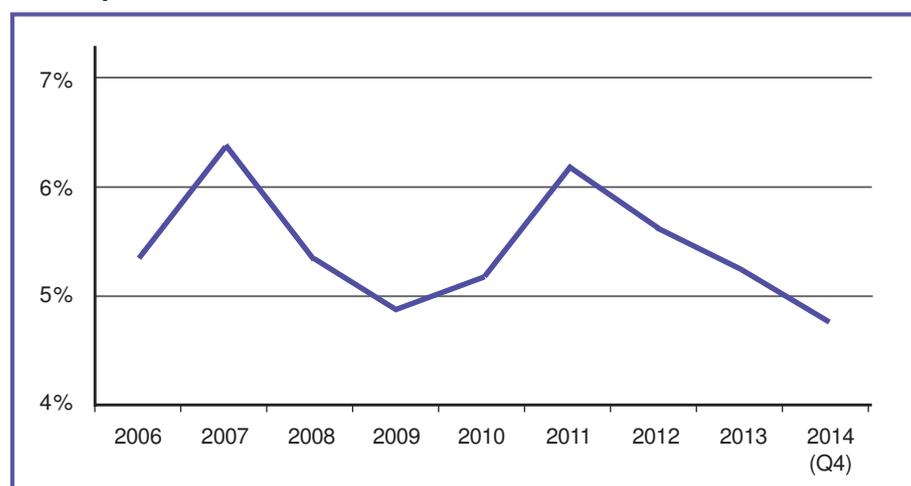
In Europe, exchange-traded products (ETPs) are above all the purview of institutional investors. While they are the most popular and cost-effective investment vehicle among smaller investors in the US, they have scarcely established a foothold with European savers. However, these products are well accepted among larger investors, as revealed in the NZZ citing a report by the provider Source. 68% of the 750 professional investors and advisors surveyed, who are each responsible for private client investments of at least GBP 50 million or GBP 100 million in institutional assets, use such products, and a further 22% have done so in the past. Switzerland ranks among the biggest users at 87%, while Spain brings up the rear at 40%. On average, 10% of the assets of these major investors are held in ETPs.

## SFA ARI®

### Yield on investment indicator for real estate funds in Switzerland

SFAMA launched the SFA ARI® at the end of April 2012 with a view to making it possible to compare the actual yields of listed Swiss real estate funds at the product level. This indicator is based on the investment yield statistics and is calculated quarterly (January, April, July, October) by Swiss Fund Data AG on the basis of the respective annual reports. The fund universe comprises the real estate funds listed on the SIX Swiss Exchange that make direct real estate investments in Switzerland, with Switzerland being their sole investment country. Funds of funds and Swiss funds that invest directly outside Switzerland are excluded.

### Development of the SFA ARI® since 2006



Source: Swiss Fund Data

## Current yield

The current investment yield as measured by the SFA ARI® stands at 4.74%. This figure is based on the annual reports as at 31 December 2014, and is lower compared with last quarter (down 0.25 of a percentage point). 26 real estate funds with net assets totaling CHF 26.4 billion were included in calculating the current figure.

## Increasing volumes for alternative investments

### Inflows in the billions at start of year

Whether it is due to the meager yields on bond investments or the tendency toward high equity market valuations, the fact is that alternative investments attracted some USD 18 billion in Q1, according to sector service provider HFR. This brings the total volume to a new record of USD 2.94 trillion. There was particularly strong demand for equity products, which alone attracted nearly USD 10 billion. Hedge funds enjoyed inflows of some USD 76 billion in 2014.

## Key figures on the Swiss Financial Center

### Handy booklet format

Twice a year, the State Secretariat for International Financial Matters publishes up-to-date figures on Switzerland as a location for financial services. This useful summary publication is available for download and can also be ordered free of charge in a handy booklet format.

<http://www.sif.admin.ch> (Rubric «dokumentation»)



## Domestic environment

### Financial Services Act and Financial Institutions Act

#### Federal Council takes initial decisions on direction to be taken

In mid-March 2015, the Federal Council took note of the results of the consultation on the Financial Services Act (FinSA) and the Financial Institutions Act (FinIA). It instructed the Federal Department of Finance to carry out various adjustments in particular to enforcement and to draw up a dispatch by the end of the year. The Federal Council has taken initial decisions on the direction to be taken on the controversial topics in the consultation procedure. In addition to the reversal of the burden of proof, the procedural costs fund and the arbitration court will also be eliminated. Access to a court of law is to be facilitated with a new cost settlement rule without cross-financing among financial service providers. The regulations on the instruments of collective legal protection (group settlement proceedings and representative action) will be integrated in the corresponding work on adapting the Civil Procedure Code and no longer regulated in the FinSA. The client advisor register will be completely revised and will be merged with the register for foreign financial service providers. The rule on disclosure of compensation (e.g. retrocessions) will be retained in its current form in the preliminary draft. In this way, there will be no provision made for a ban on retrocessions or restrictions on transparency. The enhanced due diligence requirements in connection with clients' tax compliance will be regulated within the scope of the dispatch on the AEOI implementing act. In the case of institutional oversight, a general legislative basis is envisaged for legal risks. The Banking Act will not be repealed. However, the FinIA and the Banking Act will be reconciled. A separate discussion will be conducted by the Federal Council on the specific design of the supervision of asset managers, training and continuing education and the problem of costs associated with enforcement.

<https://www.news.admin.ch/message/index.html?lang=en&msg-id=56559>

### Better protection of client data

#### Entry into force

The federal law extending the punishability of breaches of professional confidentiality (amendments to the CISA, Banking Act and Stock Exchange Act) stems from the parliamentary initiative „The sale of bank client data will be severely punished“ (10.450). It provides for more severe penalties on anyone who procures an economic benefit from violating bank-client confidentiality or other professional confidentiality in the financial market sector. Furthermore, anyone that discloses to a third party a secret revealed to them through a breach of professional confidentiality, or exploits such a secret for themselves or a third party, is also liable to prosecution. The federal law will enter into force on 1 July 2015.

<https://www.news.admin.ch/message/index.html?lang=de&msg-id=57177>

## Federal Act for Implementing FATF Recommendations

### Entry into force

On 12 December 2014, both houses of Switzerland's parliament approved the Federal Act for Implementing the Revised Financial Action Task Force (FATF) Recommendations of 2012. The enactment will take effect in two stages. On the one hand, the country evaluation of the Global Forum on Transparency and Exchange of Information for Tax Purposes due in the autumn requires the swiftest possible entry into force of the provisions on the transparency of legal entities and bearer shares, which is why these provisions will be brought into force on 1 July 2015. On the other hand, the other legislative amendments require either implementing provisions at the ordinance level or certain implementation work on the part of the target entities concerned. With the entry into force on 1 January 2016, the financial intermediaries and the self-regulatory organizations under the Anti-Money Laundering Act in particular should have the time necessary to be able to make the preparations required for implementation on time. The amendments to the following laws should come into force on 1 July 2015:

- Code of Obligations
- Collective Investment Schemes Act
- Federal Intermediated Securities Act

On 1 January 2016, the following will enter into force:

- the amendments to the Swiss Civil Code regarding ecclesiastical foundations and family foundations
- the provisions on tax predicate offenses (amendment of the Swiss Criminal Code and the Administrative Criminal Law Act)
- the amendments to the Debt Enforcement and Bankruptcy Act concerning the mode of payment
- the amendments to the Anti-Money Laundering Act

<https://www.news.admin.ch/message/index.html?lang=en&msg-id=57064>

## Revision of AMLO-FINMA

### SFAMA's position

The Swiss Financial Market Supervisory Authority FINMA held consultations on the draft revised version of the FINMA Anti-Money Laundering Ordinance from 11 February to 7 April 2015. The revised ordinance reflects the revisions made in the Anti-Money Laundering Act of 12 December 2014 as well as changes to international standards, namely the Financial Action Task Force recommendations. Insights gained from supervisory practice and recent market developments have been taken on board.

SFAMA submitted its position on the draft revised version on 1 April 2015. In our statement, we made particular reference to the fact that the AMLO-FINMA merely sets out in specific detail the obligations arising from the AMLA for institutions supervised by FINMA and financial intermediaries that come under FINMA's supervision with respect to preventing money laundering, and the implementation of these

obligations. In this context, we pointed out that financial services providers are only covered by the AMLO-FINMA if they are deemed financial intermediaries in accordance with Art. 2 para. 2 let. a-d or para. 3 AMLA (provided these are directly subordinated financial intermediaries [DSFIs]). Although this is already apparent from the statutory system, this should also be made clear in the text of the ordinance itself to avoid any confusion. In its submission, SFAMA also proposed providing more precise information in various instances in Art. 39 and 40 of the draft bill relevant for asset managers and collective investment schemes.

The full statement is available in German at the following link:

<http://www.sfama.ch/de/publikationen/initiatives-statements-position-papers/stellungnahmen>

## Commercial Register

### Modernization

The Federal Council wants to modernize the Commercial Register to ensure that it can continue to fulfill its key functions regarding security and the efficiency of legal transactions. It therefore issued a dispatch in mid-April 2015 on the amendment of regulations governing the Commercial Register.

<https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-56862.html>

## Financial Centre Future Advisory Board

### Professor Aymo Brunetti

At the beginning of December 2014, the Federal Council took due note of the final report by the group of experts on the further development of the financial market strategy. At the same time, it decided to set up an advisory board to assess the fundamental challenges and future prospects for the financial center, and to submit recommendations to the Federal Council as appropriate. Acting on behalf of the Federal Council, the Federal Department of Finance appointed the Financial Centre Future Advisory Board at the end of March 2015. It is headed by Professor Aymo Brunetti, and comprises representatives from academia, the private sector, and authorities.

<https://www.news.admin.ch/message/index.html?lang=de&msg-id=56715>

## Extension of implementation deadline set down in the Transparency Guidelines

### Transitional provision pursuant to margin note 31

SFAMA decided to extend the implementation deadline specified in margin note 31 of the Transparency Guidelines for corresponding fund documents. Fund management companies / SICAVs have until 31 August 2015 to submit amended fund contracts, fund regulations or sales prospectuses to FINMA for approval. Representatives of foreign funds must now also submit their amended fund contracts, fund

regulations or sales prospectuses for approval by 31 August 2015. FINMA acknowledged the extension of this deadline on 26 March 2015.

## Guidelines on the Calculation and Disclosure of the TER

### In force since 1 June 2015

The Guidelines on the Calculation and Disclosure of the TER and PTR of Collective Investment Schemes of 16 May 2008 have been amended in line with the changes to the CISO-FINMA (removal of PTR). In order to also comply with the requirements of the Federal Occupational Pensions Regulatory Commission (OAK BV) in respect of collective investment scheme transparency, the existing exception regarding funds of funds has been made more flexible (margin no. 42). The SFAMA Board of Directors approved the amendments to the Guidelines on the Calculation and Disclosure of the Total Expense Ratio (TER) of Collective Investment Schemes on 20 April 2015. The amended Guidelines entered into force on 1 June 2015, and serve as a minimum standard recognized by FINMA in accordance with FINMA Circular 2008/10 of 20 November 2008. The Guidelines are available from the SFAMA website in English, German, and French.

[www.sfama.ch/en/self-regulation-model-documents/transparency](http://www.sfama.ch/en/self-regulation-model-documents/transparency)

## Guidelines for Real Estate Funds

### Entry into force on 1 June 2015

With the partial revision of the CISA and CISO, various new regulations were introduced for real estate funds that had a corresponding material impact on SFAMA's guidelines for that category of funds. These guidelines also had to be amended in line with the SFAMA Transparency Guidelines and Code of Conduct. The SFAMA Board of Directors approved the amended guidelines on 20 April 2015. They entered into force on 1 June 2015, and serve as a minimum standard recognized by FINMA in accordance with FINMA Circular 2008/10 of 20 November 2008. The Guidelines are available from the SFAMA website in English, German, and French.

[www.sfama.ch/en/self-regulation-model-documents/real-estate-funds-1](http://www.sfama.ch/en/self-regulation-model-documents/real-estate-funds-1)

## Sample placement agreement

### 2015 version available

In response to the demand from the financial industry, we have also revised the sample placement agreement. For reasons relating to Swiss value-added tax, it adapts the set-up of the model distribution agreement for qualified investors. The document is available in English, German, French, and Italian from our website.

[http://www.sfama.ch/en/self-regulation-model-documents/distribution?set\\_language=en](http://www.sfama.ch/en/self-regulation-model-documents/distribution?set_language=en)

## Portfolio turnover rate

### Definitively rescinded

The disclosure of the Portfolio Turnover Rate (PTR) has no longer been required for publications dated after 1 June 2015, irrespective of the actual closing date of the semi-annual or annual accounts. Please see also the information given above on the Guidelines on the Calculation and Disclosure of the Total Expense Ratio (TER).

## Automatic exchange of information in tax matters

### Agreement approved

At the end of May 2015, the 28 EU Member States approved without debate the agreement between Switzerland and the EU on the automatic exchange of information in tax matters. The agreement has thus already been signed. Accordingly, Swiss financial institutions will collect data in tax matters from 2017, and exchange these with the EU Member States for the first time in 2018.

## Negative interest

### Treatment

So-called negative interest rates are a fee charged on credit balances, i.e. where a fund has to pay a rate of interest for its deposits. With regard to fund accounting, the accounting and financial reporting principles set out in Art. 79 CISO-FINMA are to be heeded. From the tax perspective, negative interest cannot be directly offset against positive interest income, and instead comes under the 1.5% cap as defined in FTA Circulars no. 24 and no. 25. In the interests of tax transparency, the negative interest is therefore to be disclosed separately in the income statement. We gave members detailed information on this in SFAMA Circular 16/2015.

## BX Swiss expands trading in ETFs

### Some 500 ETFs traded

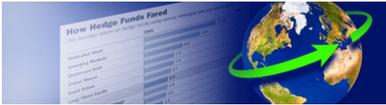
At the beginning of April 2015, BX Swiss expanded the „World Funds“ segment launched in December 2014 with the addition of 416 further ETFs. Nearly 500 ETFs from the leading global providers can thus now be traded on the Bern-based exchange.

## State Secretariat for International Financial Matters SIF

### Newsletter

The SIF Newsletter provides regular information on the latest developments in the business areas covered by the State Secretariat for International Financial Matters. It is published three to four times a year in German and French.

<http://www.sif.admin.ch> (Rubric Documentation / Publications)



## International environment

### KIID

#### Updated Q&A

On 26 March 2015, the European Securities and Markets Authority (ESMA) published updated questions and answers on the application of the Key Investor Information Document for UCITS. The Q&As include a new question on the treatment of past performance information in the case of fund mergers.

[http://www.esma.europa.eu/system/files/2015-631\\_ucits\\_kiid\\_march\\_update.pdf](http://www.esma.europa.eu/system/files/2015-631_ucits_kiid_march_update.pdf)

### MiFID

#### Consultation on complex debt instruments and structured deposits in MiFID II

On 24 March 2015, ESMA launched a consultation on draft guidelines on complex debt instruments and structured deposits. These guidelines are intended to enhance investor protection by offering further clarification on which types of financial instruments and structured deposits can be provided, such that all the relevant legal conditions are fulfilled, without the firm assessing a client's knowledge and experience. The consultation will be open until 15 June 2015. ESMA expects to publish final guidelines in Q4 2015.

Consultation:

<http://www.esma.europa.eu/consultation/Consultationdraftguidelinescomplexdebtinstrumentsandstructureddeposits>

#### Guidelines on assessment of knowledge and competence in MiFID II

On April 23 2015, ESMA launched a consultation on draft guidelines specifying criteria for the assessment of knowledge and competence of natural persons in investment firms that provide investment advice or information about financial instruments, investment services or ancillary services to clients. The consultation paper proposes that such criteria should be met by attaining „appropriate qualification and experience“ and sets out the areas of knowledge and competence that need to be assessed. The consultation will be open until 10 July 2015. The final guidelines are to be expected in Q4 2015.

Consultation paper:

[http://www.esma.europa.eu/system/files/2015-753\\_cp\\_mifid\\_guidelines\\_on\\_knowledge\\_and\\_competence.pdf](http://www.esma.europa.eu/system/files/2015-753_cp_mifid_guidelines_on_knowledge_and_competence.pdf)

#### Guidelines on definition of commodity derivatives

On 6 May 2015, ESMA published guidelines on the Markets in Financial Instruments Directive (MiFID) I. The purpose of these guidelines is to provide a common, uniform and consistent application of the definitions of commodity derivatives of the current MiFID I, until MiFID II comes into force on 3 January 2017, when the European Commission issues its delegated acts in relation to these definitions.

Guidelines:

[http://www.esma.europa.eu/system/files/2015-05-06\\_final\\_guidelines\\_c6\\_and\\_7.pdf](http://www.esma.europa.eu/system/files/2015-05-06_final_guidelines_c6_and_7.pdf)

## AIFMD

### Updated Q&As

On 26 March and 12 May 2015, ESMA published updated Q&As on the application of the AIFMD. The Q&As include updated or new questions and answers on reporting, notification, additional own funds, and scope as well as new questions and answers on reporting and calculation of leverage.

Q&As (March):

[http://www.esma.europa.eu/system/files/2015-630\\_qa\\_aifmd\\_march\\_update.pdf](http://www.esma.europa.eu/system/files/2015-630_qa_aifmd_march_update.pdf)

Q&As (May):

[http://www.esma.europa.eu/system/files/2015-850\\_qa\\_aifmd\\_may\\_2015\\_update.pdf](http://www.esma.europa.eu/system/files/2015-850_qa_aifmd_may_2015_update.pdf)

## UCITS V

### Modification of directive

On 22 May 2015, ESMA published an opinion to the European Union institutions on the impact of EMIR on UCITS. In the opinion, ESMA calls for a modification of the UCITS Directive to take into account the clearing obligations for certain types of over-the-counter financial derivative transactions under EMIR.

Opinion:

[http://www.esma.europa.eu/system/files/2015-880\\_esma\\_opinion\\_on\\_impact\\_of\\_emir\\_on\\_ucits.pdf](http://www.esma.europa.eu/system/files/2015-880_esma_opinion_on_impact_of_emir_on_ucits.pdf)

## Foreign Account Tax Compliance Act

### Updates

The IRS provides regular updates via its website, including various documents and forms as well as FAQs on a range of different aspects.

<http://www.irs.gov/Businesses/Corporations/FATCA-Foreign-Financial-Institution-Registration-Tool>

## EU savings tax

### Its days are numbered

Brussels is proposing a repeal of the Savings Tax Directive for individuals, stating that its aims are now covered by the revised Directive on Administrative Cooperation, which provides for a comprehensive automatic exchange of information (AEOI) regarding financial accounts. Switzerland is also to lift the withholding tax on savings income with AEOI, a corresponding agreement having been initiated in mid-March 2015.

## Financial Transaction Tax

### Compromise taking shape

German Finance Minister Wolfgang Schäuble has indicated potential for a compromise in the fraught negotiations over the introduction of a

financial transaction tax in eleven EU countries. Speaking after the meeting of EU finance ministers in Brussels in mid-May 2015, he said a combination of two principles may be possible. In the case of the taxation of derivatives, the domicile of the trader should be the decisive criterion, while the tax on equities could be imposed in the countries where the respective security was issued.

### **Introduction in 2017**

According to Schäuble, the introduction of the tax will take some time yet: „We won't manage it in 2016.“ He thus echoed the statements of his Austrian counterpart Hans Jörg Schelling, who is leading the negotiations on this issue and had previously said in a Reuters interview that any financial transaction tax is unlikely to be implemented before 2017.



## SFAMA activities

### New members

#### Two additional members

The Board of Directors and the Executive Board were pleased to welcome the following new members to SFAMA in Q2 2015:

- Altenburger Ltd. Legal + Tax, Geneva
- Notz, Stucki & Cie SA, Geneva

### Specialist committees

#### Highly active

The specialist committees essentially undertake the preparatory work for decisions relating to their specific areas, which they then submit to the Board of Directors and the Executive Board. The individual committees were/are actively involved with the following **issues**.

#### Alternative Investments Hans-Jörg Baumann

- Detailed discussions on extending the committee with representatives from the commodities sector
- Examining the expansion of the AIC to cover themes from the private equity, private debt, and infrastructure segments
- Analysis of the impact of MiFID II / FinSA on the Swiss alternative investments business

#### Asset Management Gérard Fischer

- Function as „sounding board“ for the Asset Management Initiative Switzerland
- Involvement in various project groups under the Asset Management Initiative Switzerland
- Discussion of further developments in the field of risk management

#### ETF Stephan Müller

- Continuing the discussion regarding price-setting mechanisms for ETFs and other exchange-traded instruments as well as provisions for individual listing requirements for ETFs
- Continuing the evaluation of the possible impact of FinSA on the ETF business

#### Real Estate Funds Roger Hennig

- Monitoring developments regarding the revision of Lex Koller
- Amending SFAMA's model documents for real estate funds in line with the partially revised CISA, CISO and CISO-FINMA
- Revising the specialist information factsheet on key figures of real estate funds

#### Processes & Operations Martin Jufer

- SFAMA's NAV guidelines – reviewing the threshold values for assessing the significance of valuation errors
- Impact of tax developments on operations

- Distribution of Swiss funds in/to the EU
- New provisions on management of collateral in accordance with Art. 50-55 CISO-FINMA
- AZEK training program „Financial Market Operator“

## Legal & Compliance

Olivier Sierró

### Domestic

- Partial revision of the CISA: amendment of the self-regulation material and model documents / follow-up
- CISO-FINMA: amendment of the self-regulation material and model documents (transitional provisions)
- Transparency Guidelines: stricter rules
- FINMA Q&A on distribution
- FMIA: SFAMA's position and schedule
- Revision of AMLO-FINMA

### Outside Switzerland

- EU / AIFMD: passport for third countries
- EU / MiFID : Agreement on MiFID II – objectives and schedule
- SBA guidelines on the duty to keep documentary records as set down in Art. 24 para. 3 CISA: period of validity

## Taxes

Hanspeter Kurz

- Negative interest rates
- Law of Swiss Corporate Tax Reform III (CTR III)
- Paying agent tax in Switzerland
- Automatic exchange of information
- Stamp duty in the case of single-investor funds
- Foreign Account Tax Compliance Act

## Distribution & Marketing

Markus Signer

- Future fund distribution under the Federal Financial Services Act (FinSA) and Financial Institutions Act (FinIA) as submitted for consultation
- Clarification of the classification / standardization of unit classes for improved transparency

## Upcoming events

### A date for your diaries

#### **5<sup>th</sup> Swiss Fund Golf Cup**

Tuesday, 25 August 2015, at the Sempachersee Golf Club

#### **Swiss Fund Day – IT & Operations**

Monday, 9 November 2015 in Zurich

More detailed information on these events will be published on the Internet in due course.

[www.sfama.ch](http://www.sfama.ch) (Events)



## Swiss Fund Data AG

### Chart changes

#### Greater detail

Most of the website users are industry professionals, and to address their mounting needs the following changes have been made to the charts on the Swiss Fund Data platform:

In the case of distributions, the gross income and capital gain (if applicable) are shown separately. As before, both values are used for calculating the performance.



In the case of accumulation funds, the distribution is shown including the 35% withholding tax. The corporate action „Retained Income Withholding Tax“ is featured in the chart on the website. The following values are displayed in a text box that appears next to the letter „R“:

- Distribution currency
- Retained income (for investors resident in Switzerland)
- Withholding tax (for investors resident in Switzerland)





## Interesting reading

### Friends of Funds

#### In partnership with SFAMA

The Swiss Funds & Asset Management Association SFAMA has a long-standing partnership with the neutral discussion forum Friends of Funds. The dates and topics set thus far are as follows:

#### Events in Zurich (cycles 24 and 25)

- 30.06.15 Investment-Compliance: Schlüsselfaktoren und operative Umsetzung
- 25.08.15 Transparenz im Schweizer Fund und Asset Management Business
- 15.09.15 Asset-Verwahrung und Asset-Services
- 13.10.15 Kann Liechtenstein für die Schweiz das Tor zur EU sein?
- 10.11.15 Aktuelle Trends bei ETFs : Können Smart Beta-Strategien Alpha erzielen?
- 08.12.15 Fonds und Asset Manager im Dienste der Altersvorsorge
- 19.01.16 Fonds-Plattformen: Welche Rolle spielen sie, was leisten sie und wie finanzieren sie sich inskünftig?

#### Events in Geneva (cycle 9)

- 08.09.15 FinSA, FinIA, MiFID, etc.: Switzerland's new financial market architecture
- 01.12.15 New challenges facing custodian banks

Further information on the events in Zurich and Geneva, where available, can be found on the forum's website at

[www.friends-of-funds.ch](http://www.friends-of-funds.ch)

### Friends of Funds: public event calendar

#### Free of charge

The Friends of Funds forum offers an independent calendar for fund and financial industry events in Switzerland.

#### For events of all kinds (including those with restricted audiences)

If you have dates for roadshows, media conferences, seminars, anniversaries or other events, you can publish these free of charge via the website.

[www.friends-of-funds.ch](http://www.friends-of-funds.ch) (rubric Event-Kalender)

## FAOA Newsletter

News and key information on auditing

The Federal Audit Oversight Authority (FAOA) published its first newsletter at the end of April 2015. With this publication, the FAOA wants to provide regular updates on news and key information on auditing and the FAOA's activities. If you would like to keep abreast of the latest developments, you can subscribe to the newsletter at the following links:

G: <http://newsletter.rab-asr.ch/f/87261-162741/>

F: <http://newsletter.rab-asr.ch/f/87261-162896/>

## Banking and financial market law

BF 2015

A new updated edition of the comprehensive overview of legislation published by Luc Thévenoz and Urs Zulauf since 1995 has been available since April 2015. The book BF 2015 contains the main texts of Swiss financial market regulation, thus the key information from BF online.

[www.schulthess.com](http://www.schulthess.com)

G: ISBN/ISSN 978-3-906230-43-6

F: ISBN/ISSN 978-3-906230-44-3

## Steuern kollektiver Kapitalanlagen

Neuerscheinung

Das unlängst erschienene Buch von Dr. Toni Hess «Die Besteuerung Besteuerung kollektiver Kapitalanlagen und deren Anleger unter Berücksichtigung der Mehrwertsteuer» bietet eine umfassende und kompetente Darstellung der relevanten Rechtsfragen im Zusammenhang mit der Besteuerung der kollektiven Kapitalanlagen und deren Anleger in der Schweiz. Ein unentbehrliches Nachschlagewerk in einer auch im internationalen Bereich an Bedeutung zunehmenden Materie. Folgende Inhalte werden angesprochen:

- Rechtsgrundlagen und Grundsätzliches zum Recht der kollektiven Kapitalanlagen
- Besteuerung der ausschüttenden und der thesaurierenden kollektiven Kapitalanlagen
- Besteuerung der Anleger
- Besteuerung der anlagefondsähnlichen Anlagevehikel
- Internationale Aspekte: Rückerstattung der Verrechnungssteuer und der ausländischen Quellensteuer, EU-Zinsbesteuerung, Quellensteuerabkommen
- Mehrwertsteuer

<http://www.helbing.ch/detail/ISBN-9783719035457/Steuern-kollektiver-Kapitalanlagen>

## Digitales Anlegen

### Studie mit Momentaufnahme 2015 und Ausblick 2020

Das Institut für Finanzdienstleistungen Zug IFZ und das Kompetenzzentrum Banking Trends & Innovation der Swisscom publizierten Anfang Mai 2015 die Studie «Digitales Anlegen». Einerseits sollen damit in ausgewählten Märkten die Ist-Situation auf der Angebotsseite aufgezeigt und darauf basierend verschiedene Geschäftsmodelle hergeleitet werden, andererseits wurde mithilfe von Umfragen das Potenzial von digitalen Anlageprodukten auf der Nachfrageseite eruiert. Basierend auf diesen Erkenntnissen wurden auch Prognosen für das Schweizer Marktvolumen in 2020 hergeleitet.

[http://blog.hslu.ch/retailbanking/files/2015/04/DigitalesAnlegen\\_Kurzversion\\_DE\\_def.pdf](http://blog.hslu.ch/retailbanking/files/2015/04/DigitalesAnlegen_Kurzversion_DE_def.pdf)

## Tracking Risk of Exchange Traded Funds

### Revisited: A Multivariate Regression Approach

This empirical study by Thomas Merz investigates the ability of exchange-traded funds to replicate the risk-return characteristics of their respective benchmarks accurately. By decomposing ex-post tracking performance, this study finds that the commonly used measure, tracking error, rarely sufficiently explains the deviation from the benchmark and hence has very limited predicting power for assessing the tracking quality of an ETF. The results presented here clearly indicate that in many cases a linear metric is a more reliable predictor for future return deviations and that the total cost of administering an ETF therefore provides a fairly good estimate of its tracking quality.

[https://www.techint.ch/assetmanagement/uber\\_uns/publikationen/working\\_papers/20150120\\_SML\\_WorkingPaper\\_4.pdf](https://www.techint.ch/assetmanagement/uber_uns/publikationen/working_papers/20150120_SML_WorkingPaper_4.pdf)

## Global wealth and asset management industry

### Nine key drivers of change

Significant change may be in store for the global wealth and asset management industry in the year ahead. Negative interest rates, concerns of deflation, and continuous technology-related disruptions are some of the factors contributing to these far-reaching changes.

[http://www2.eycom.ch/publications/items/wam/201505\\_nine-key/2015\\_EY\\_Nne-key.pdf](http://www2.eycom.ch/publications/items/wam/201505_nine-key/2015_EY_Nne-key.pdf)



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