SFAMA
Swiss Funds & Asset Management Association

SFAMA News

Spring edition

SFAMA News

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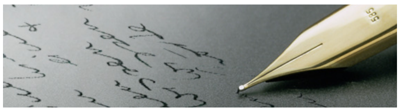

Editorial

Dear readers

Extensive work program for 2017

The Council of States Economic Affairs and Taxation Committee (EATC-S) made some further minor amendments to the Financial Services Act and Financial Institutions Act in November 2016. The two bills were then passed in the overall vote, both by 10 votes to 0 with three abstentions. The Council of States considered the FinSA and FinIA in its December session, and essentially adopted the proposal put forward by the EATC-S. SFAMA welcomes the bills approved by the Council of States. The EATC-N began its consultation on 23 January 2017, and unanimously agreed to introduce the two bills. The EATC-N commenced its detailed consideration at its meeting on 21 February 2017, and will debate this further at its next meeting on 3/4 April 2017. SFAMA will continue to represent the interests of its members in the debate, seeking to ensure the best possible outcome from the regulatory perspective.

There will be other themes at the forefront for SFAMA this year besides this. Firstly we will be looking to strengthen SFAMA's position as the leading body representing the interests of asset management in Switzerland, for example by taking the lead on the Asset Management Platform Switzerland and through the focused implementation of individual projects.

Meanwhile SFAMA will also be concentrating on evaluation and support in the case of innovative fund solutions, as well as establishing best practice standards and self-regulation in the fields of asset management and risk management (in the form of guidelines, model documents, and specialist information fact sheets).

Furthermore, we will be placing particular emphasis on extending SFAMA's function as a forum and bolstering our communication activities (events, specialist committees, and information for our members and for the general public).

Last but not least, we want to build on our relationships with political representatives in the federal capital of Bern.

We hope you enjoy reading this issue !

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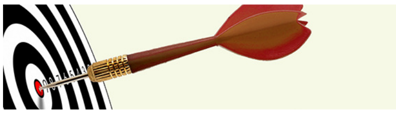

In focus

FinSA/FinIA in the home stretch

Emotions and success

The discussion over the Financial Services Act (FinSA) and Financial Institutions Act (FinIA) has often been conducted in an emotional tone, and the political backdrop when the parliamentary debates started at the beginning of 2016 was accordingly difficult. It can therefore be regarded as a major success that the Council of States Economic Affairs and Taxation Committee (EATC-S) was able to submit a compromise to its Council that enjoyed the support of all stakeholders as well as the Federal Department of Finance. SFAMA also played its part in seeking to foster a consensus in the industry on FinSA/FinIA.

Exportability essential

As a small and open economy, Switzerland is dependent on its financial firms also being able to offer their products and services abroad. This in turn hinges on Swiss financial market legislation being in line with international standards. These include both appropriate conduct rules (FinSA) and internationally recognized supervision of all asset managers (FinIA). FinSA and FinIA will thus make a decisive contribution to safeguarding the competitiveness of Swiss providers. It is therefore pivotal that the National Council now also passes both bills as quickly as possible, retaining the basic substance of their present form.

A good compromise

The bills feature numerous deviations from MiFID/MiFIR. These were deliberately included as the Council of States sought to take advantage of the scope available while appropriately addressing special Swiss facets – this also against the backdrop of the currently fraught political situation regarding the EU. In so doing, it was conscious of the fact that the EU will still have to decide on the matter of equivalence. When it comes to equivalence from the technical perspective, ESMA will adopt an approach centered on the results, rather than a verbatim transposition of EU law. By contrast, the European Commission's decision will have a decidedly political element. There are those who are now happily wagging a scolding finger at every single deviation from MiFID/MiFIR. We see this as a dangerous trend. There is a political compromise on the table that is likely to meet the EU's requirements. It is now a matter of defending this politically, since formulations that are even more closely oriented to those of the EU would have no chance on the political front in Switzerland. The time has therefore now come for all those involved to pull together as one, otherwise we will ultimately end up with no FinSA/FinIA at all, which would have fatal consequences for the Swiss financial center and the economy as a whole.

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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 CISO

The transitional provisions regarding the amendments to the Collective Investment Schemes Ordinance (CISO) of 13 February 2013 are to be found 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.

28 February 2018

Existing encumbrance arrangements pursuant to Art. 96 para. 1 CISO which exceed the threshold must be rectified.

Financial Market Infrastructure Ordinance

1 January 2016 – 31 August 2020

The transitional provisions regarding the Financial Market Infrastructure Ordinance of 25 November 2015 are set out in Title 4 FMIO. 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 2016.

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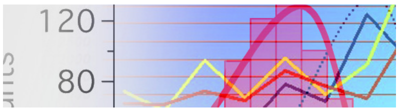


Fund markets

Key data on the international fund business

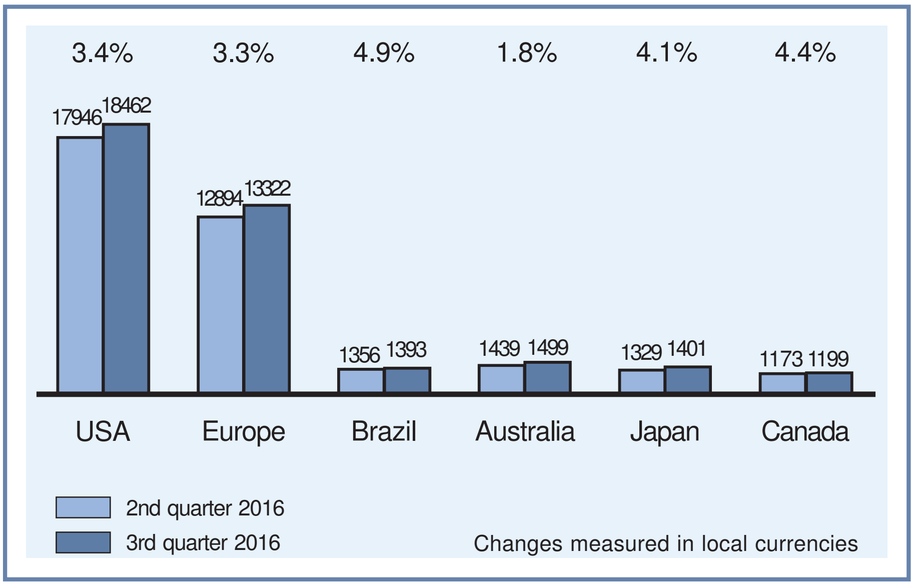
EUR 39.41 trillion in fund assets worldwide

The rise in global fund volumes seen in Q2 2016 continued in the third quarter. As at the end of September 2016, the newly calculated fund volumes stood at EUR 39.4 trillion, an increase of 3.4% quarter-on-quarter and 7.5% for the six-month period. Funds of funds accounted for EUR 2.81 trillion. In 2014, working in conjunction with the IIFA (International Investment Funds Association), EFAMA incorporated new fund types into the universe covered – such as ETFs, institutional funds, and hedging products – and this resulted in a massive increase in both fund volumes and product numbers. Direct comparisons with earlier data can therefore only be made with figures from the beginning of 2015.

Positive development in global fund volumes across the board

There was no country or region in negative territory in EUR terms in Q3 2016. For once, exchange rates had no major impact on the figures. In the US, the total volume was just below the EUR 18.5 trillion mark at the end of September 2016. According to the latest EFAMA report, a total of EUR 13.3 trillion was invested in funds in Europe.

Geographical trends in investment fund assets in Q3/16 (in EUR billions)

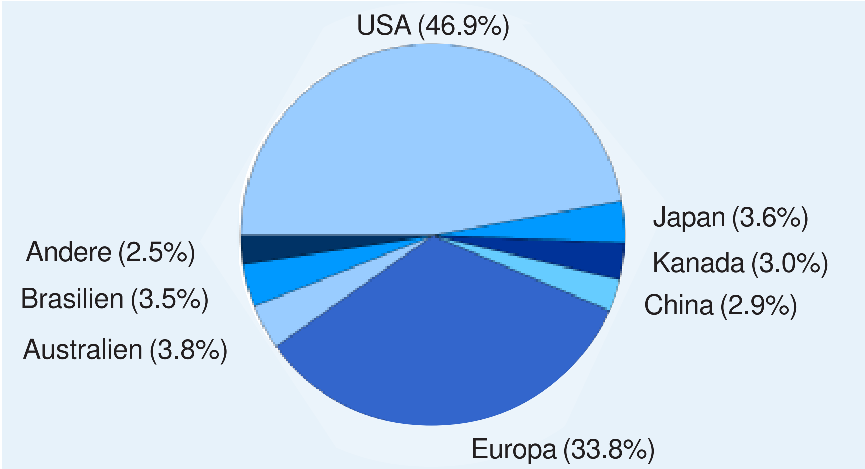


Source: EFAMA International Statistical Release, December 2016

Scarcely any change in the international breakdown

Comparing the figures ascertained by EFAMA, both the US and Europe showed relatively stable shares in the fund assets invested worldwide as at the end of September 2016. Australia held on to third spot with 3.8%. Meanwhile Brazil fell back behind Japan, which is now back in fourth place with 3.6%.

Geographical trends in investment fund assets by end of September 2016 (in EUR billions)



Source: EFAMA International Statistical Release, December 2016

Global fund universe of 120,420 funds

There was a further increase in the fund universe covered by EFAMA in Q3, and by the end of September 2016 it stood at a record high of 120,420 different products. This corresponds to an increase of 1,300 funds since the beginning of July 2016. The breakdown of products per fund category is as follows: equities 39%, bonds 22%, mixed 18%, money market 12%, and others 9%.

Swiss fund market in 2016

Cooperation between Morningstar and Swiss Fund Data

Swiss Fund Data AG, a subsidiary of the Swiss Funds & Asset Management Association SFAMA and SIX Swiss Exchange Ltd, has been publishing new statistics for the Swiss fund market together with Morningstar Switzerland GmbH since the beginning of 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 911.7 billion

According to the statistics on the Swiss fund market, the total volume stood at CHF 911.7 billion at the end of December 2016, an increase of CHF 20.4 billion or 2.3% year-on-year. The figures are based on the FINMA approvals list and cover all funds under Swiss law as well as all foreign funds approved for distribution in Switzerland, including institutional unit classes.

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Development of fund assets since January 2016

Fund Category	Volumes 31.12.2015	Volumes 31.12.2016	Overall change
Equities	366.7	377.9	+ 11.2
Bonds	279.4	285.5	+ 6.1
Money Market	63.0	69.6	+ 6.6
Asset Allocation	107.3	108.4	+ 1.1
Others	3.5	3.1	- 0.4
Natural resources	16.0	19.8	+ 3.8
Alternatives	25.2	17.5	- 7.7
Real Estate	30.2	29.9	- 0.3
Total Swiss Market	**891.3**	**911.7**	**+ 20.4**

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

Broken down by asset class, equity funds still have the largest share at just over 40%, followed by bond funds with around 32.1%. Asset allocation funds remain in third spot with around 12.1%.

Increase of 212 funds

At the end of 2016, there were 8,952 funds approved for public distribution in Switzerland, a net increase of 212. Of these, 1,551 (+9) were funds under Swiss law and 7,401 (+203) were funds under foreign law, the latter category being dominated by Luxembourg-law products (up by 85 to 4,955).

The revised CISA is continuing to bolster the market activities of many providers, resulting in a net increase of 212 funds. Over the course of the year, 829 foreign collective investment schemes were newly approved, while 626 were removed from the register. The corresponding figures for Swiss-law products were a total of 90 new approvals, with 81 funds removed from the register. Of the 1,551 Swiss-law funds, 681 were approved by FINMA exclusively for distribution to institutional investors (cf. also table below).

Development of number of funds by type of fund / fund domicile

(in brackets: funds for qualified investors)

Fund domicile / Fund type	As of end-December 2015		As of end-December 2016		Change in the year 2016	
Swiss funds	**1542**	**(737)**	**1551**	**(681)**	**9**	**(-56)**
Swiss limited partnerships	18	(18)	18	(18)	0	(0)
Securities funds	142	(0)	136	(0)	- 6	(0)
Other funds for trad. investm.	1272	(686)	1296	(623)	24	(-63)
Other funds for altern. investm.	57	(14)	42	(14)	- 15	(0)
Real estate funds	53	(19)	59	(26)	6	(7)
Non-Swiss funds	**7198**		**7401**		**203**	
Luxemburg	4870		4955		85	
Ireland	1460		1583		123	
Other countries	868		863		- 5	
Total Swiss and Non-Swiss	**8740**	**(737)**	**8952**	**(681)**	**212**	**(-56)**

Source: FINMA (as of the beginning of January 2017)

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Stable share for Swiss-domiciled funds

The ratio of foreign funds to collective investment schemes under Swiss law has remained fairly constant at around 4:1 over recent years. Luxembourg and Ireland are by far the largest foreign domiciles of funds approved in Switzerland. With a total of 6,538 products, their market share remained steady at 88% as at the end of 2016. France held on to third spot, followed by Liechtenstein and the UK.

Slight increase in assets under management year-on-year

Securities totaling CHF 5.6 trillion held in Swiss custody accounts

The securities holdings in client custody accounts at Swiss banks were rather volatile over the course of 2016, reflecting the performance of the markets. According to the SNB statistics published in February, the figure stood at CHF 5.6 trillion at the end of December 2016. This represents a rise of 1.25% from the already relatively high level of CHF 5.5 trillion recorded at the beginning of the year. The current level represents the high point for 2016. The SNB's monthly banking statistics for February 2017 showed that the securities holdings of non-resident clients fell by 2.2% to CHF 2.8 trillion. In the case of resident clients, however, there was an increase of 5%, bringing their holdings to CHF 2.75 trillion. At 50.7%, the share of non-resident clients in the securities holdings was nearly two percentage points lower than in the previous year.

Mixed showing for fund weightings between resident and non-resident clients

As regards fund holdings, only resident clients posted an increase, up around 9.1% to CHF 1,154 billion. Their non-resident counterparts had fund holdings totaling CHF 767 billion at the end of December, which translates into a drop of 2.5%. As regards fund weightings, the trends were a mixed bag over the course of the year. In the case of resident clients, there was a steady increase from the 40.4% recorded at the beginning of the year, and by the end of December 2016 it had reached 41.9%. Meanwhile, the weighting for non-resident custody account clients fluctuated between 26.6% and 27.4% and currently stands at 27.0%.

Development of securities holdings

Category	Domestic		Foreign		Total	
	2015	2016	2015	2016	2015	2016
Money market paper	21	22	39	42	61	64
Bonds	704	714	543	536	1248	1250
Equities	806	833	1396	1332	2202	2165
Coll. investments	1058	1154	787	767	1845	1921
Struct. products	33	30	131	156	162	186
Other securities	0	0	0	0	0	0
Total	**2622**	**2753**	**2896**	**2833**	**5518**	**5586**

Source: SNB, Monthly Statistical Bulletins (figures in CHF billions)

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Equity markets in 2016

Ups and downs

2016 tested investors' nerve once again, with hefty price swings in some cases. Looking back, the year was characterized by moderate economic growth worldwide, but equities experienced a fairly turbulent twelve months. At the beginning of 2016, it was fears over growth in particular that fueled uncertainty, but as the year unfolded political events held sway. Once again, achieving satisfactory returns on the markets proved to be highly challenging.

Central banks and politics setting the tone

At the start of the year, the modest economic data coming out of China in particular unleashed shocks that saw markets tumble across the globe. In January, share prices plummeted so steeply on the Chinese mainland exchange that trading had to be halted early for the first time in its history. China no longer wants to be simply the cheap workshop of the world, and instead wants to develop into an affluent technology location. It appears that achieving this will not be entirely plain sailing. In retrospect, however, the burgeoning economic jitters proved largely unfounded. In June, the UK electorate voted in favor of leaving the EU. The UK markets shot up in the weeks following the outcome of the Brexit referendum as the pound lost value – currency and equity market performance often run contrary to each other. In November, Donald Trump was elected as US President, which caught many by surprise. Trump's envisaged tax cuts and strong investment in the country's partly dilapidated infrastructure prompted a veritable buying frenzy on Wall Street in the final weeks of the year. US stocks were pretty much the best thing a CHF investor could have in 2016 (also given the USD's gains against the CHF). However, protectionist rumblings and the threat of trade barriers could have a negative impact on companies supplying to the US market. The emerging markets are also coming under increasing pressure, primarily due to imponderables regarding the US Administration's trade policy and the persisting appreciation of the USD. Share prices worldwide are primarily being driven by the glut of money from the major central banks, with political decisions being less of a factor. In light of the favorable economic backdrop, the US Federal Reserve continued with the normalization of interest rates with a hike in mid-December, but money remains very cheap in Japan and the eurozone. As recently as December, the European Central Bank extended its purchases of billions worth of government bonds and other securities to the end of 2017. The protracted decline in commodity prices came to an end in 2016, and these have since posted massive gains. This also meant that pundits' attention returned to the inflation trend.

Developments in Switzerland

The Swiss market closed the year under a bit of a cloud, this in part attributable to the two stock market heavyweights Roche and Novartis, which suffered heavy share price losses above all due to the US

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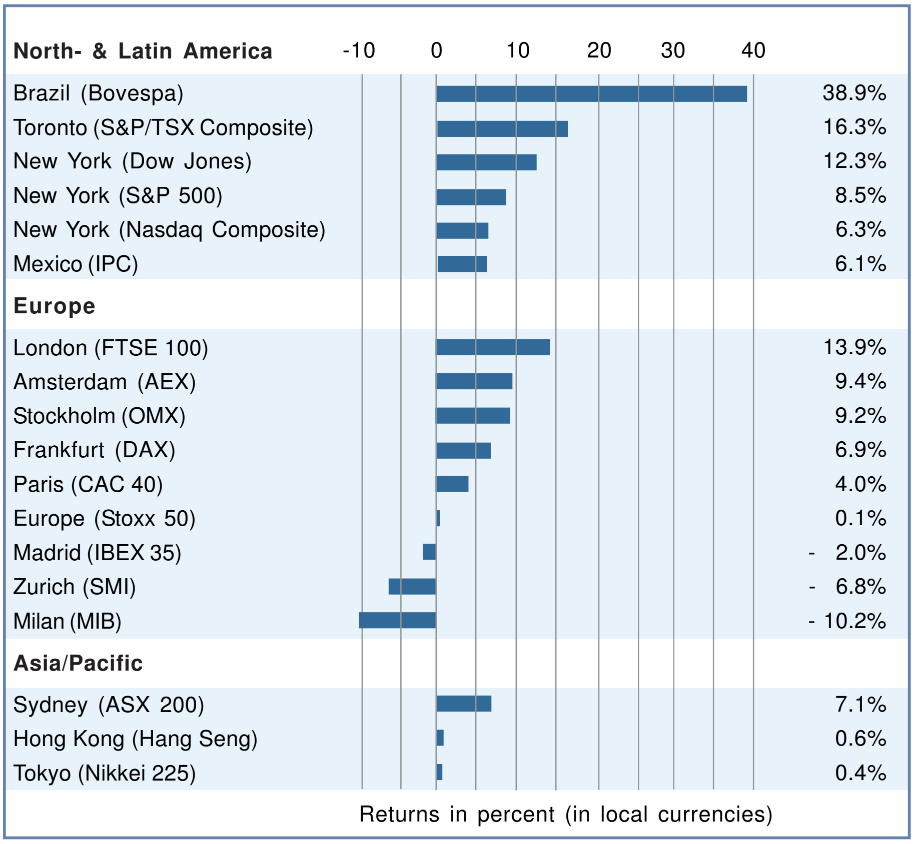
elections. However, other equities posted a thoroughly good showing, one example being suppliers to the automotive industries, which profited from the boom in German car sales. The industrial firm ABB also fared well, buoyed by the announcement by the US President-elect that he wanted to invest massively in the country's infrastructure.

The major stock markets in 2016



Sources: Bloomberg (NZZ of 31.12.2016), Onvista

Swiss ETF market in 2016

Higher turnover again for exchange-traded funds

The turnover of exchange-traded index funds was curbed slightly for the first time in 2012, but ETFs resumed their success story thereafter, and this continued with further gains in 2016. The turnover of the corresponding products reached CHF 103.8 billion, the highest level ever recorded. At the end of 2016, there were 1,210 different ETFs listed on the SIX Swiss Exchange. In terms of investment focus, products covering traditional equity markets were still out in front with a 30% share. Bond ETFs have a 19% share of the market with 229 products. ETFs for commodities and precious metals remained steady at 88 products, but saw their share ease back by 0.7 of a percentage point to 7.3%. As regards trade sizes, the median is very low at CHF 15,503.

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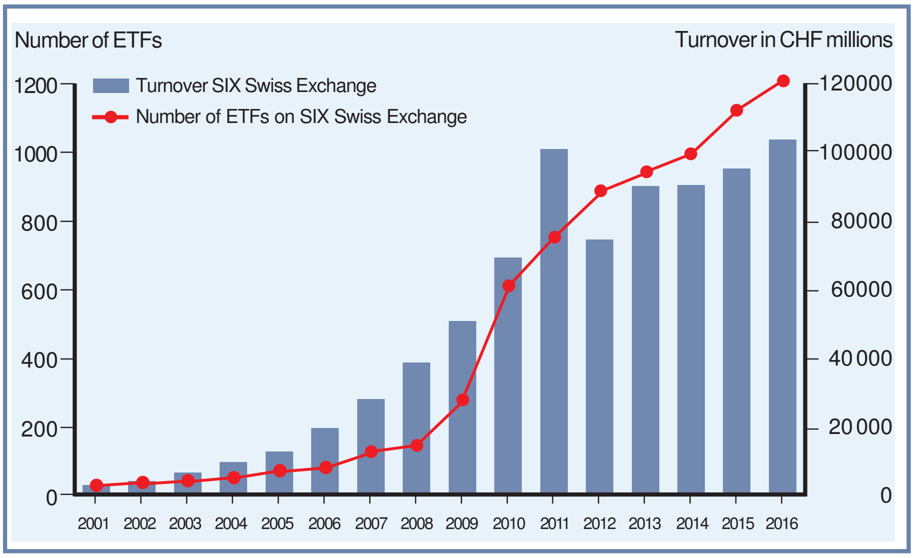
Turnover and number of ETFs at SIX Swiss Exchange since year 2001



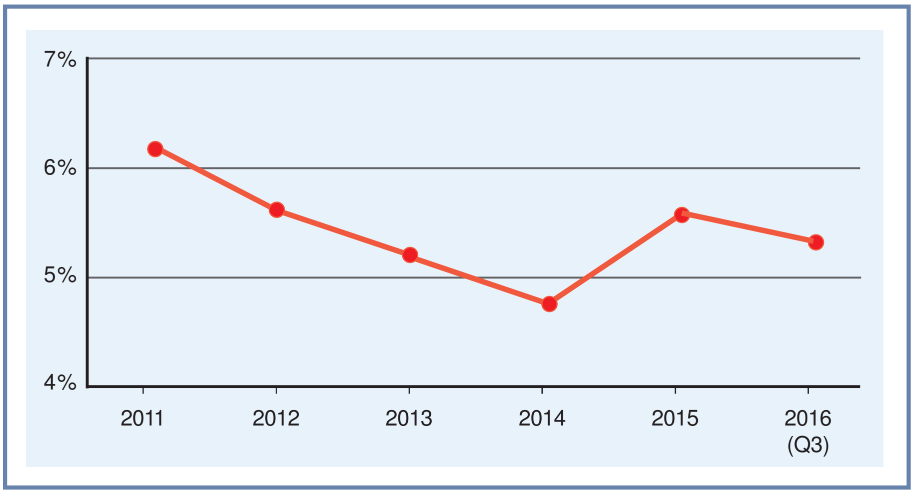
Source: SIX Swiss Exchange

SFA ARI®

Yield on investment indicator for real estate funds in Switzerland

The then SFA 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.

Development of the SFA ARI® since 2011



Source: Swiss Fund Data

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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.

Current yield

The current investment yield as measured by the SFA ARI® stands at 5.32%. This figure is based on the annual reports as at 30 September 2016, and is lower compared with the previous quarter (down 0.36 of a percentage point). 29 real estate funds with net assets totaling around CHF 29.9 billion were included in calculating the current figure.

The European fund industry in 2016

Above-average growth

According to figures published by Lipper, the assets managed in investment funds rose by around EUR 0.5 trillion in 2016, reaching a volume of EUR 9.4 trillion by the end of the year. Overall, 2016 can go down as another good year for the European fund industry. Although the net inflows of EUR 268.7 billion lagged clearly behind the record increases enjoyed in 2015 (EUR 386 billion) and 2014 (EUR 351 billion), the 2016 figure was well above the long-term average of EUR 162.2 billion. Against this backdrop, it comes as little surprise that 2016 was also a good year for ETFs, which accounted for a total of EUR 41.1 billion of the inflows.

The search for yields led to bond ETFs

European ETFs attracted close to EUR 43 billion in 2016, with bond products accounting for 54% of these inflows, this according to statistics published by Amundi. In the case of bonds, it was the 'search for yields' that held sway. With regard to government bonds, inflows into emerging market bonds (EUR 4.8 billion) dominated the year through to the end of October. A turnaround then set in, resulting in outflows of around EUR 2.1 billion. Short-term European government bonds (EUR 298 million) led the way in December. Corporate bonds recorded inflows of more than EUR 16.3 billion in 2016, with the eurozone and US at the head of the field in this segment (up EUR 6.3 billion and EUR 2.9 billion respectively). Since October 2016, ETFs with floating-rate notes have found much favor with investors, attracting more than EUR 1 billion in Q4. These securities are appealing for those investors who want to reduce their interest-rate risk. In the event of rate hikes, such products are less exposed given that their coupon adjusts in line with the prevailing level.

Equity funds were the losers

Looking at the various asset classes in detail, not all groups enjoyed the same level of success in 2016. Given the low-interest-rate environment, it was surprising that bond funds were the most sought-after category with inflows of EUR 110.9 billion, well ahead of alterna-

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tive UCITS products (in second place with EUR 37.5 billion) and mixed funds. The latter, which were the top selling fund type in 2015, secured third spot with an increase of EUR 25.9 billion, remaining ahead of real estate funds and commodity funds (up EUR 9.6 billion and EUR 4.6 billion respectively). Another surprising fact is that equity funds suffered the heaviest outflows with EUR 28.2 billion. According to Lipper, this points to the conclusion that European investors were not satisfied with the performance of their mixed mandates or alternative funds amid the market turbulence at the start of 2016, and therefore increasingly turned to bond funds to reduce the potential risks of equity investments.

Big investment houses

Only few firms with more than USD 1 trillion in assets under management

Worldwide there are 15 asset management companies with AuM in excess of USD 1 trillion. In the 2015 rankings compiled by Willis TowersWatson, the US giants BlackRock, Vanguard, and State Street remained out in front. Nine of the top 15 are US firms, the other six being European. UBS secured 14th spot. The list comprises a total of 500 companies, with 18 from Switzerland and one from Liechtenstein.

Key figures on the Swiss Financial Center

Newsletter

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»)

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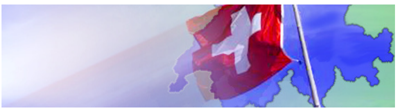

Domestic environment

FinSA/FinIA

Progress being made

The debate on the FinSA/FinIA project in the EATC-S was protracted, but quicker progress was finally made from November 2016 onwards once the controversial issue of applicability to independent asset managers (iAMs) had finally been resolved.

The question on iAMs being subject to regulatory oversight was highly contentious. The EATC-S held a further hearing on this matter in October 2016, to which SFAMA was also invited. The newly proposed model of supervision by one or more supervisory organizations authorized and supervised by FINMA met with approval from both the parties affected and FINMA. The supervisory organizations will serve as FINMA's extended arm, performing the ongoing supervision of FINMA-authorized iAMs in accordance with clear regulatory requirements. All statutory powers, including those in respect of sanctions, will be centralized with FINMA.

Once the EATC-S had passed its summary on 3 November 2016, the matter was taken up by the Council of States on 14 December 2016. The latter largely accepted the proposals submitted by its advisory committee. The EATC-N already began its consideration of this matter on 23 January 2017. It started by conducting a hearing, to which SFAMA was also invited. There were no objections to the introduction of the two bills. A proposal for the FinIA to be sent back to the Federal Council for review, with the supervision of financial services providers being allocated to FINMA, was rejected. The committee began its detailed consideration at its meeting on 21 February 2017, and will continue with this at its next meeting on 3/4 April 2017.

„Direct transmission“

FINMA publishes circular

The Swiss Financial Market Supervisory Authority FINMA published its circular on „Direct transmission“ in mid-December 2016. This sets out the criteria under which supervised institutions may transmit non-public information to foreign authorities and entities. The new circular entered into force on 1 January 2017.

https://www.finma.ch/en/news/2016/12/20161216-mm-rs-17-6-direktuebermittlung/

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Automatic exchange of information

Definitive FTA guidelines

In mid-January 2017, the FTA published its definitive guidelines on the automatic exchange of information in tax matters. This sets out and provides specific detail on the requirements arising for Swiss financial institutions and other involved parties such as the FTA from the legal basis in Switzerland for the implementation of the AEOI standard.

https://www.estv.admin.ch/estv/de/home/internationales-steuerrecht/fachinformationen/aia/publikationen/wegleitung.html

State Secretariat for International Financial Matters

Newsletter

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

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

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International environment

6th 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.

AIFMD

Q&A update

On 16 December 2016, the European Securities and Markets Authority published an updated questions and answers document (Q&A) on the application of the Alternative Investment Fund Managers Directive (AIFMD). It includes one updated Q&A on reporting obligations by non-EU AIFMs under Article 42 of the AIFMD, clarifying the circumstances under which information on EU master AIFs should be reported to competent authorities.

Q&A:
https://www.esma.europa.eu/sites/default/files/library/2016-1669_qa_on_aifmd.pdf

MiFID II, MiFIR

Q&A

On 16 and 19 December 2016, 31 January and 2 February 2017, ESMA issued an updated Q&A regarding the implementation of the Markets in Financial Instruments Directive and Regulation (MiFID II, MiFIR). It covers the areas of investor protection, commodity derivatives topics, transparency and market structure and provides responses on admission, instrument identification code and maturity date, amongst others.

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Q&A:
https://www.esma.europa.eu/sites/default/files/library/2016-1444_mifid_ii_qa_investor_protection.pdf
https://www.esma.europa.eu/sites/default/files/library/2016-1673_qa_mifid_ii_on_commodity_derivatives_topics.docx.pdf
https://www.esma.europa.eu/sites/default/files/library/mifid_ii_mifir_qa_on_transparency_topics.pdf
https://www.esma.europa.eu/sites/default/files/library/mifid_ii_mifir_qa_on_market_structures_topics.pdf
https://www.esma.europa.eu/sites/default/files/library/esma70-1861941480-56_qas_mifir_data_reporting.pdf

Regulators' improvement

On 11 January 2017, ESMA found in its report that national regulators are giving greater attention to best execution requirements under MiFID. There are clear improvements in the level of attention paid to the supervision of best execution requirements and that in general, regulators are adopting a more pro-active supervisory approach to monitoring compliance.

Report:
https://www.esma.europa.eu/sites/default/files/library/esma42-1643088512-2962_follow-up_best_execution_peer_review_report.pdf

Transaction reporting requirements

On 16 January 2017, ESMA published guidelines for transaction reporting under MiFID II and MiFIR. Additionally, ESMA released technical requirements and templates further detailing the relevant reporting requirements.

Technical requirements and templates:
https://www.esma.europa.eu/policy-rules/mifid-ii-and-mifir/mifir-reporting-instructions

Position reporting

On 9 February 2017, ESMA published a revision of its draft Implementing Technical Standards (ITS) on position reporting under MiFID II. It was revised with regard to the format of position reports by investment firms and market operators.

ITS:
https://www.esma.europa.eu/sites/default/files/library/esma70-872942901-3_final_report_-_draft_its_4.pdf

PRIIPs

Response to amendments

On 23 December 2016, the European Supervisory Authorities issued their response to the European Commission on the amendments the Commission proposes to make to the draft regulatory technical standards on key information documents for packaged retail and insurance-based investment products (PRIIPs).

Response:
https://esas-joint-committee.europa.eu/Publications/Letters/ESAs-2016-81%20Joint%20letter%20on%20RTS%20on%20PRIIPs.pdf

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Consultation

On February 10 2017, the ESAs launched a consultation on a proposal to set minimum requirements, which manufacturers of PRIIPs with environmental or social objectives should comply with to ensure that credible products are offered to retail investors. The consultation closes on 23 March 2017.

Consultation:
https://esas-joint-committee.europa.eu/Pages/Consultations/Joint-Committee-Consultation-on-PRIIPs-with-environmental-or-social-objectives-.aspx

UCITS

Q&A

On 21 November 2016, ESMA published updated Q&A on the application of the Undertakings for the Collective Investment in Transferable Securities Directive (UCITS). It includes two new Q&A on how investment limits should be applied where a UCITS wants to invest in an umbrella fund.

Q&A:
https://www.esma.europa.eu/sites/default/files/library/2016-1586_qa_on_ucits_directive.pdf

Share classes

On 30 January 2017, ESMA issued an opinion on the extent to which different types of units or shares (share classes) of the same UCITS fund can differ from one another, having found diverging approaches in different EU countries. It set out four high-level principles which UCITS must follow when setting up different share classes in order to ensure a harmonized approach across the EU:

- **Common investment objective:** Share classes of the same fund should have a common investment objective reflected by a common pool of assets. ESMA considers that hedging arrangements at share class level – with the exception of currency risk hedging – are not compatible with the requirement for a fund to have a common investment objective.
- **Non-contagion:** UCITS management companies should implement appropriate procedures to minimize the risk that features specific to one share class could have a potentially adverse impact on other share classes of the same fund.
- **Pre-determination:** All features of the share class should be pre-determined before the fund is set up.
- **Transparency:** Differences between share classes of the same fund should be disclosed to investors when they have a choice between two or more classes.

Opinion:
https://www.esma.europa.eu/sites/default/files/library/opinion_on_ucits_share_classes.pdf

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FINMA and SFC conclude cooperation agreement on funds

Hong Kong

At the beginning of December 2016, the Swiss Financial Market Supervisory Authority FINMA and the Securities and Futures Commission of Hong Kong (SFC) signed a cooperation agreement which aims to enhance cooperation between the two authorities and promote reciprocal market access for fund providers. Swiss asset managers are now permitted to manage collective investment schemes distributed to retail investors in Hong Kong, with fund managers in Hong Kong being granted reciprocal rights.

https://www.finma.ch/en/news/2016/12/20161202-mm-kooperationsvereinbarung-hongkong/

Coming soon

A ‘passport’ for investment in mutual fund schemes of other countries

The Securities and Exchange Board of India (Sebi) is working on the concept of ‘passporting’ – a unified regulatory mechanism that will allow Indian mutual fund (MF) schemes to be sold in other Asian countries without the need for exclusive regulatory approvals from the latter.

Sebi is working with the International Organization of Securities Commissions (IOSCO) and regulators in other Asian countries to make this happen, said sources. The Indian asset management sector is estimated at Rs 16 lakh crore in size.

If allowed, Indian MF schemes could be sold elsewhere without the fund house having to register separately with the regulator of that country or setting up a subsidiary in the jurisdiction. Conversely, schemes of these countries will be allowed to be sold in India.

[illegible]

Updates

Foreign Account Tax Compliance Act

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

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SFAMA activities

New members

Three new members admitted

The Board of Directors and the Executive Board were pleased to welcome the following new members to the SFAMA in fall 2016:

- FUNDANA SA, Genf
- Candriam Sàrl, Genf
- Tramondo Wealth Management, Zug

Board of Directors

New member proposed

At its meeting on 31 January 2017, the Board of Directors decided to put Andre Bantli forward for election to the Board at the Annual General Meeting on 17 March. Since November 2013, Andre Bantli has been Head of Retail-Wholesale Business Switzerland, Middle East & Africa (MEA) at BlackRock Asset Management Switzerland Limited in Zurich, and is also a member of its Swiss Executive Committee. Prior to that, he spent several years with Credit Suisse Private Banking and Wealth Management in Singapore. Andre Bantli graduated with an MBA from the University of Chicago and holds a Bachelor's Degree in Business Administration from the Zurich University of Applied Sciences (ZHAW).

Model documents updated

January 2017 versions

The updated versions of the model prospectuses for securities funds and real estate funds (contractual funds / SICAVs) as well as the model simplified prospectus for real estate funds are now available. Amendments have been made in the tax section with a view to the transition to the international automatic exchange of information in tax matters.

http://www.sfama.ch/en/self-regulation-model-documents

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**.

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Alternative Investments Hans-Jörg Baumann	• MIFID II / FinSA: discussion of asset allocation decisions by major institutional investors and analysis of possible implications for the hedge fund industry • Discussion of possible business models (boutique approach versus multi-asset management) for providers of alternative investments
ETF & index investments Markus Götschi	• Specialist committee renamed ‘ETFs & Index-Linked Investments’ • Work on a new ETF brochure
Real Estate Funds Roger Hennig	• Coordinating activities with the „For a modern Lex Koller“ alliance (www.modernelexkoller.ch) regarding the planned revision of „Lex Koller“ in Q4 2016 • Analysis of the possible impact of CTR III on real estate funds
Processes & Operations Daniel Lüdin	• Openfunds (open source initiative) • PRIIPs • GIPS expert group
Risk Management Martin Jufer	• Discussion of risk management approaches at individual institutions with a view to deriving best practice • Continuation of the work on a publication on risk management standards
Legal & Compliance Olivier Sierro	<u>National</u> • FMIA: implementation • Data Protection Act: consultation • FINMA: digital delivery platform • Revised Art. 322 SCC: analysis and possible consequences for retrocessions in the financial sector <u>International</u> • EFAMA: Distributor’s Due Diligence Questionnaire and SFAMA questionnaire • Action on cross-border distribution of funds across the EU: results of the EU consultation • AIFMD: revision • Remuneration rules: amendment of Capital Requirements Directive (CRD) – UCITS – AIFMD • MiFID target market consultation: costs • Alternative funds: Reserved Alternative Investment Funds (RAIFs) • PRIIP: implementation
Legal & Compliance Asset Management Jasmin Djalali	• Client-side issues regarding insurance and pension provision, specifically with regard to alternative investments • Exchange of experience with structured products, in particular actively managed certificates • Model declaration pursuant to Art. 48l OPO2 • Preparation for exchanges with Legal & Compliance departments of other asset managers not represented on the specialist committee

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Taxes
Hanspeter Kurz

- Draft FTA guidelines on the automatic exchange of information
- OECD Public Discussion 'Draft on non-CIV examples'
- Hearing on FTA circulars nos. 12, 15, 24, and 25

Distribution & Marketing
Markus Signer

- Standardization of the 'Distributor's Due Diligence Questionnaire' and SFAMA questionnaire with regard to monitoring distributors in line with the SFAMA Guidelines on the Distribution of Collective Investment Schemes
- Drawing up a basic information brochure 'Investment funds – in a nutshell' (working title)

Upcoming events

Save the date

Swiss Funds & Asset Management Forum 2017
Friday, 17 March 2017
Hotel Bellevue Palace, Bern

SCFS Funds Conference
Thursday, 24 August 2017
Zürcher Kantonalbank, Neue Hard 9, Zurich

GIPS Day 2017
Wednesday, 22 November 2017
Hotel Metropol, Zurich

Swiss Fund Day 2017
Thursday, 23 November 2017
Zurich

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

www.sfama.ch (Events)

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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 for the events through to the end of June 2017 in Zurich and to the end of 2017 in Geneva are as follows:

Save the date

Events in Zurich (cycle 28)

21.03.17	ESG integration in asset management
11.04.17	Possibilities and limits in asset servicing
09.05.17	Transparency mania on the client front – regulatory requirements put to the test
30.05.17	IT and fund administration amid increasing digitalization
27.06.17	Real estate investments in the current environment

Events in Geneva (cycle 11)

07.03.17	Legislation / wake-up call – product governance
13.06.17	Asset management / performance
05.09.17	Asset management / real estate market
05.12.17	Services / custody and fund administration

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

Friends of Funds: new sections

The website was revamped at the beginning of the year, and various new features added. Visitors can now download documents such as studies, research reports, PowerPoint presentations and survey results of partner companies. These can be found in the sections „Investment Center", „Service Center", „Education Center", and „News Center".

Use of event calendar free of charge

The Friends of Funds forum is continuing to offer an independent calendar for fund and financial industry events in Switzerland, intended 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 www.friends-of-funds.ch website (under „Events / Ihre Veranstaltung").

www.friends-of-funds.ch (Events / Ihre Veranstaltung)

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International financial and tax matters

Publication of 2017 SIF report

Switzerland should continue to have the best possible framework for a secure and competitive financial center. In the future, national leeway should be explored even more consistently and the parameters within which the Swiss financial center operates designed in a forward-looking and efficient way. The current report on international financial and tax matters provides information on activities in the areas of financial market regulation, engagement in international financial bodies and international tax policy in 2016, and gives an outlook on upcoming challenges.

https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-65496.html

Schweizerisches Recht der kollektiven Kapitalanlagen

Practical overview and legal basis

Newly released in August 2016, this publication on collective investment schemes in Switzerland written by certified public accountants Markus Schunk and Astrid Keller and attorney-at-law Silvan Meyer is aimed primarily at assisting people working in this field. Following the first and second editions, this updated version has been extended significantly to encompass the revision of the legislation as of 1 March 2013. An initial list of contents with illustrations gives a quick and easy overview of the various areas covered. There follows a table setting out the matters requiring approval, notification and disclosure for licensees under the Collective Investment Schemes Act (CISA). The CISA and the implementing ordinances (CISO and CISO-FINMA) are also integrated in the publication, as are the key specific FINMA circulars and SFAMA guidelines.

www.schulthess.com (ISBN 978-3-7255-7403-2)

Rolle und Rechtsstellung von Proxy Advisors im schweizerischen Recht

Dissertation von Tanja Gustinetti Henz

Stimmrechtsberatungsunternehmen (Proxy Advisors) sind in den letzten Jahren in Nordamerika und mittlerweile auch in Europa und der Schweiz stark ins Blickfeld gerückt. Zahlreiche Aktionärsbeschlüsse bei Publikumsgesellschaften, die in der Öffentlichkeit für Aufsehen sorgten, sind auf die Empfehlungen von Stimmrechtsberatern zurückzuführen. Zwar haben sich diese Unternehmen das an und für sich zu begrüssende Ziel gesetzt, einen hohen Standard für gute, nachhaltige Unternehmensführung durchzusetzen. Mit dem

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steigenden Einfluss, den Stimmrechtsberater auf Aktionärsbeschlüsse ausüben, wächst aber auch die Kritik an ihrer Tätigkeit. Vor diesem Hintergrund erarbeitete die Dissertation «Die Rolle und Rechtsstellung von Stimmrechtsberatungsunternehmen (Proxy Advisor) im schweizerischen Recht unter besonderer Berücksichtigung der Regulierungsfrage» die Grundlagen für ein zuverlässiges Verständnis der Stimmrechtsberatungsindustrie und der ihr im Kapitalmarkt zuteil gewordenen Rolle. Im Anschluss wird deren Stellung im schweizerischen Recht analysiert. Schliesslich wird geprüft, ob basierend auf dem Ergebnis der Untersuchung ein Regulierungsbedarf für die Stimmrechtsberatungsindustrie besteht und wenn ja, mit welchen Instrumenten eine Regulierung erfolgen könnte.

www.helbing.ch (ISBN 978-3-7190-3881-6)

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Authors' opinions

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