

SFAMA News

Winter edition

2014

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Season's Greetings

Best wishes for the festive season

Dear readers

As 2014 draws to a close, we can look back on a year in which considerable time had to be devoted to the study of legal provisions, be they new laws outside Switzerland or homegrown legislation. In Switzerland, extensive clarifications were needed this year to enable our association to represent the interests of collective investment schemes in a clear and well-founded manner. In the spring, for example, we took part in the consultation process for the Financial Market Infrastructure Act (FMIA). At the same time, we also contributed to the consultations on the Pensions Reform 2020 program.

Shortly before the summer holidays, the consultation processes were also launched for the Federal Financial Services Act (FFSA) and the Financial Institutions Act (FinIA). SFAMA subsequently gave its input in October, stating that it was essential for the FFSA to be fundamentally oriented toward the EU regulations. However, we added that it must be ensured that EU regulation is taken as a guideline for financial market regulation in Switzerland only to the extent required to safeguard the future export possibilities of financial services and products.

Another key focal point was the Code of Conduct, which is to apply as a minimum standard under the terms of the CISA. We have just received good news on this front from Bern: FINMA has recognized our proposals in this regard, these reflecting the extended duties of the sector in respect of diligence and disclosure. The SFAMA Code of Conduct brings together in a single document the previous rules set out for the Swiss fund industry and asset managers of collective investment schemes, and enters into force at the beginning of 2015.

In addition to all this work on legislative matters, one of the key facets for us as an association was, as always, the exchange of information with our members, be it directly or via working groups. This is absolutely essential if we are to represent the interests of Switzerland as a funds location in good faith, combining a dedicated approach with convincing arguments.

This demands a great deal of effort and concentration from all those involved, and it is therefore all the more important that we now take a break from our daily business and fully recharge our batteries. We at the Swiss Funds & Asset Management Association SFAMA hope you and your families enjoy a pleasant and restful festive season, and we wish you every success in the New Year.

All the very best!

The Board of Directors and Executive Board of the SFAMA



Introduction

Lobbying for funds for 50 years

Happy Birthday!

On Wednesday, 2 December 1964, the 254th meeting of the Board of Directors of the Swiss Bankers Association (SBA) set up a dedicated body to lobby on behalf of funds. At that time, the taxation of investment fund certificates (making them subject to withholding tax) had given rise to a desire to deal with questions relating to investment trusts more intensively and in a more centralized manner in the future. It was therefore decided to set up a specific SBA committee for investment fund matters. This committee was then spun off in 1992 and the Swiss Investment Funds Association (now the Swiss Funds & Asset Management Association SFAMA) was established. After its foundation at the end of 1992, this autonomous association initially existed only on paper. After the completely revised Investment Fund Act entered into force at the beginning of 1995, the then SFA opened its offices in Basel on 1 July 1997, complete with its own dedicated staff. Since then it has become an active point of contact and flexible lobbying organization for Swiss asset management and the fund industry.



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.

Transparency Guidelines

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

1 March 2015

Fund management companies and SICAVs must submit fund contracts, investment regulations or sales prospectuses amended in line with these Guidelines to the supervisory authority for approval by no later than 1 March 2015.

1 June 2015

Representatives of foreign funds must submit fund contracts, investment regulations or sales prospectuses amended in line with these Guidelines to the supervisory authority for approval by no later than 1 June 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, investment regulations or sales prospectus.

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 requirement in the Appendix „*Provisions for Distributors*“ is only required once the corresponding amendments have been made to the respective distribution agreements.

SFAMA Code of Conduct**31 December 2015**

The SFAMA Code of Conduct enters into force on 1 July 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

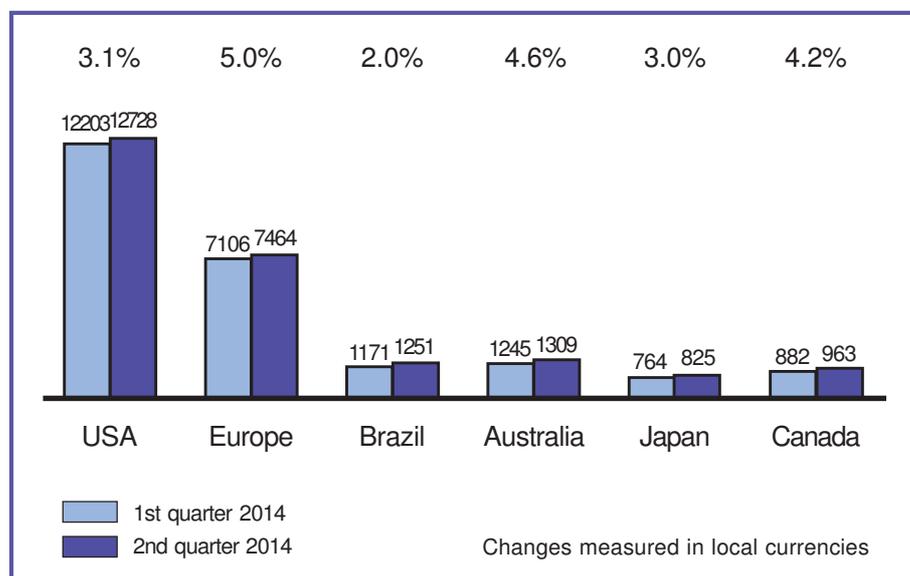
EUR 25.65 trillion in fund assets worldwide as of end-June 2014

The year-long increase in global fund volumes continued in Q2 2014. By the end of June this year, volumes had reached an all-time high, standing above the EUR 25 trillion mark for the first time. This represented an increase of EUR 1.27 trillion or 5.21% on the previous high set in March 2014, with virtually all fund categories showing net inflows (a total of EUR 301 billion). Only money market funds continued to suffer net outflows (EUR 49 billion).

Europe has caught up slightly

In local currency terms and taking into account funds of funds, the 5.0% increase in Europe in Q2 2014 was clearly higher than that in the US, which still posted a gain of 3.1% nonetheless. Australia posted an increase in volumes in local currency terms, as did Brazil, Japan, and Canada. The appreciation of the USD against the EUR is reflected in the figures for the review period. As of the end of June 2014, fund assets in the US totaled some EUR 12.7 trillion. According to the latest EFAMA report, around EUR 7.5 trillion was invested in funds in Europe.

Geographical trends in investment fund assets in Q2/14 (in EUR billions)

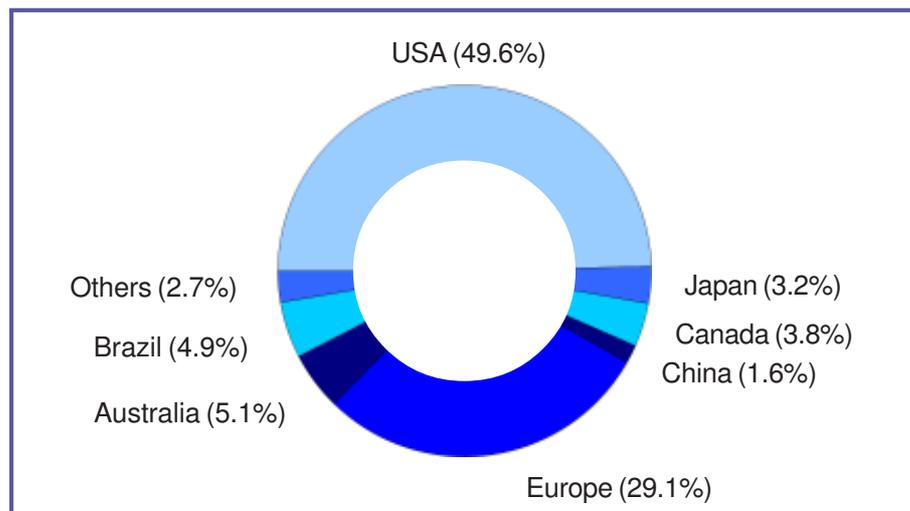


Source: EFAMA International Statistical Release, October 2014

US the clear leader on the international front

Comparing the data gathered, the US again accounted for just under 50% of the global assets invested in funds as of the end of second quarter. Europe came in second place, lagging well behind with 29.1%. Australia held on to third spot with a steady share of 5.1%, ahead of Brazil with 4.9% (see chart next page). If non-UCITS assets were also taken into account, Europe's market share would be around 36.9%.

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



Source: EFAMA International Statistical Release, October 2014

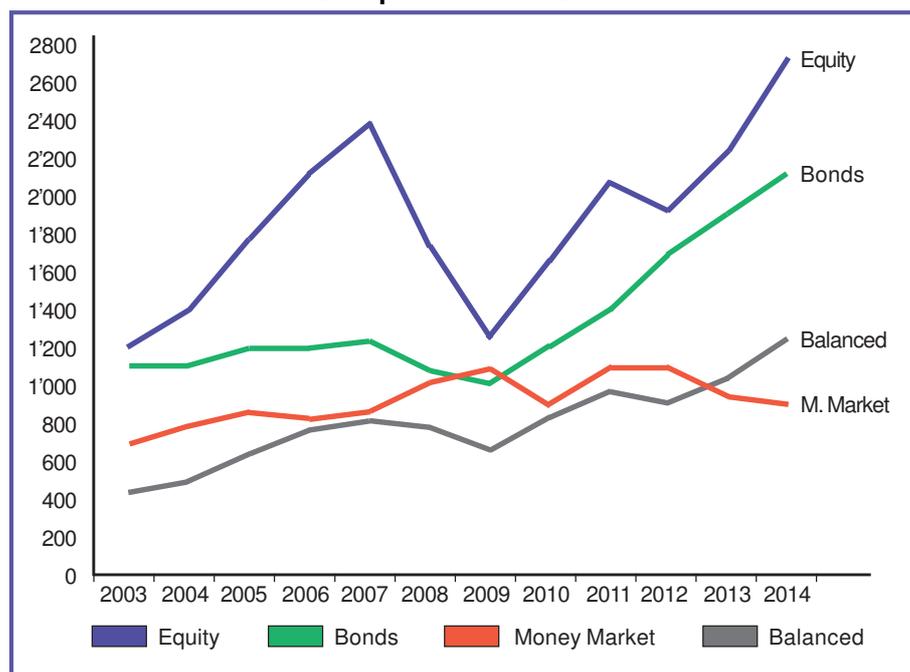
Global fund universe of 89,804 funds

There was a further increase in the fund universe covered by EFAMA in Q2, and by the end of June 2014 it stood at a record high of 89,804 different products. This corresponds to an increase of 1,888 funds since the start of the year, or 956 since the beginning of April 2014. As regards the types of fund, around 32% can be described as equity funds, 20% as mixed products, and 17% as bond funds. The money market fund category accounts for just 3%, while 28% of the products can be allocated to the „other funds“ category.

A look at Europe

The net inflows in Europe amounted to a further EUR 130 billion in Q2 2014, following on from inflows of EUR 152 billion in the first three months of the year. This result was primarily attributable to the develop-

Net sales into UCITS in Europe since mid-2003



Source: EFAMA International Statistical Release, September 2014 (annual figures in EUR billions)

ment of bond funds and balanced products, which enjoyed inflows totaling EUR 109 billion in Q2. Equity funds also posted net inflows (EUR 24 billion), whereas money market funds suffered outflows of EUR 22 billion.

As regards the European countries with higher volumes – i.e. Luxembourg, France, Germany, Ireland, and the UK – all were able to bolster these volumes further in Q2 (with increases ranging from 0.4% in France to 6.8% in Ireland). Switzerland posted a rise of 4.7%, on a par with the average. There were positive showings from the Southern European countries as well: Portugal (+0.3%), Italy (+5.1%), Greece (+1.7%), and Spain (+7.1%).

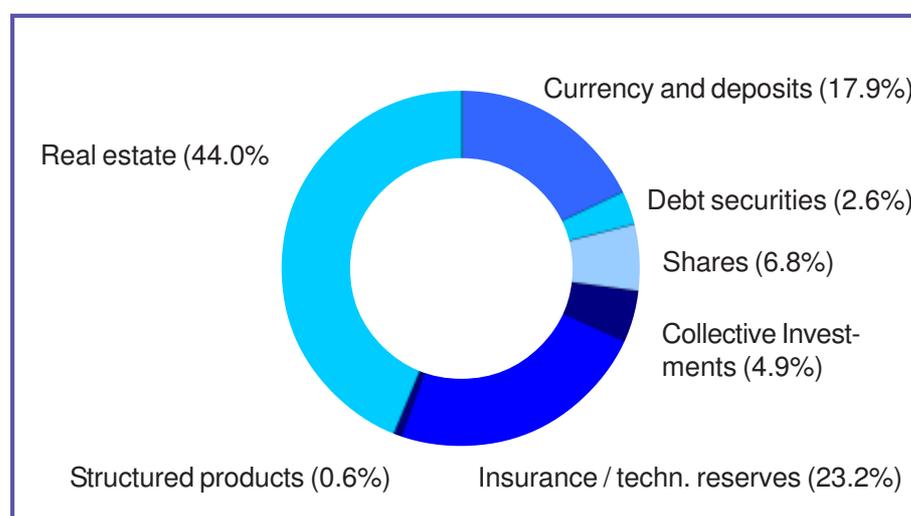
Switzerland's financial accounts

Volumes of assets and liabilities for 2003 to 2013

In mid-November 2014, the Swiss National Bank (SNB) again presented financial accounts for Switzerland, showing the volumes and structure of the financial assets and liabilities in the individual sectors of the economy.

The statistics for 2013 shows claims of private households at CHF 3,952 billion, which translates into a rise of CHF 182 billion or around 4.8%. However, much of the reported assets are not directly disposable as they are tied into pension provision.

Structure of private households (as of end-2013)



Source: www.snb.ch/e (Publications)

For the fund industry, the weighting of funds in the financial assets of private households is especially interesting. While this weighting was around 9% until 2003 and rose to 11.7% from 2004 to 2007, since 2008 it has been around 9.5% again. In 2011 and 2012 the figures stood at CHF 167 billion and CHF 180 billion respectively, or 8.4% and 8.5%. The weighting is now back up at nearly 8.8% with a volume of CHF 194 billion.

Swiss fund market in 2014

Cooperation between
SWISS FUND DATA III and


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 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 829 billion

According to the statistics on the Swiss fund market, the total volume stood at CHF 829.2 billion at the end of September 2014, an increase of around CHF 23 billion quarter-on-quarter (+2.8%). The figures are based on the FINMA authorization list and cover all funds under Swiss law as well as all foreign funds authorized for distribution in Switzerland, including institutional unit classes.

Broken down by asset class, equity funds still have the largest share at about 39%, followed by bond funds with around 31%. Asset allocation funds remain in third spot with just over 12%.

Development of fund assets since January 2014

Fund category	Volumes 31.12.2013	Volumes 30.09.2014	Overall change
Equities	278.5	323.5	+ 45.0
Bonds	249.5	254.6	+ 5.1
Money Market	69.7	61.4	- 8.3
Asset Allocation	83.7	100.1	+ 16.4
Others	0.9	3.9	+ 3.0
Natural resources	21.7	20.5	- 1.2
Alternatives	8.5	33.9	+ 25.4
Real Estate	32.7	31.3	- 1.4
Total Swiss Market	745.2	829.2	+ 84.0

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

Numbers of Swiss-law
funds on the up

The uptrend in the number of Swiss funds discernible since April 2013 continued in Q3 2014, albeit only minimally. 1,505 Swiss-law products are now registered with FINMA, a new all-time high. 16 of these are limited partnerships for collective investment. All in all, the total number of investment vehicles under Swiss law rose by three products quarter-on-quarter.

Further increase in
foreign-domiciled funds
authorized in Switzerland

The number of funds authorized for public distribution broke through the 8,000 mark for the first time. As at the end of September the figure stood at 8,065, up by 168 quarter-on-quarter. Year-on-year, this translates into an increase of some 447 funds. This trend was primarily attributable to foreign (above all Luxembourg-domiciled) funds, which rose in number by 97 in Q3 this year alone. Luxembourg and Ireland were able to clearly defend their lead 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 2013		As of end- September 2014		Change in the year 2014	
Swiss funds	1447	(694)	1505	(730)	58	(36)
Swiss limited partnerships	16	(16)	16	(16)	0	(0)
Securities funds	141	(0)	142	(0)	1	(0)
Other funds for trad. investm.	1182	(646)	1238	(680)	56	(34)
Other funds for altern. investm.	62	(17)	62	(17)	0	(0)
Real estate funds	46	(15)	47	(17)	1	(2)
Non-Swiss funds	6171		6560		389	
Luxemburg	4138		4426		288	
Ireland	1088		1184		96	
Other countries	945		950		5	
Total Swiss and Non-Swiss	7618	(694)	8065	(730)	447	(36)

Source: FINMA (as of the beginning of October 2014)

Further rise in assets under management in Q3

Securities totaling CHF 5.46 trillion held in Swiss custody accounts

According to the latest SNB statistics, the securities holdings in client custody accounts at Swiss banks had risen to CHF 5.46 trillion as of end-September 2014, a 2.67% increase compared with the middle of the year. According to the SNB Monthly Statistical Bulletin for November 2014, the securities holdings of non-resident clients had increased by 6.83% in the year to date to CHF 2.96 trillion. Meanwhile, in the case of resident custody account holders the corresponding figure showed an increase of 7.26% to CHF 2.50 trillion. Non-resident clients thus still account for around 54.0% of the securities holdings.

Comparison of fund holdings

A comparison of fund holdings shows similar developments for both resident and non-resident custody account clients. Between the beginning of the year and the end of September 2014, the fund holdings of resident clients rose by CHF 93 billion to CHF 935 billion (+11.0%). Meanwhile, the fund holdings of non-resident custody account clients increased by CHF 89 billion to CHF 805 billion (+12.4%). It is still primarily resident clients that hold funds under Swiss law in their custody accounts; at around CHF 576 billion these holdings make up roughly 61.6% of the corresponding total. Non-resident investors' holdings in collective investment schemes under Swiss law long remained steady at 9-10%, then followed two years where the figure ranged between 10% and 12%. It is now just 8.6%.

As regards fund weightings, the trends have moved in the same direction over the course of the year. That of resident custody account clients rose steadily from 36.1% at the beginning of the year to 37.4% as of the end of September. Meanwhile, the weighting for non-resident custody account clients has been fluctuating between 26% and 28.5% for some time and currently stands at 27.2%.

SFA ARI®

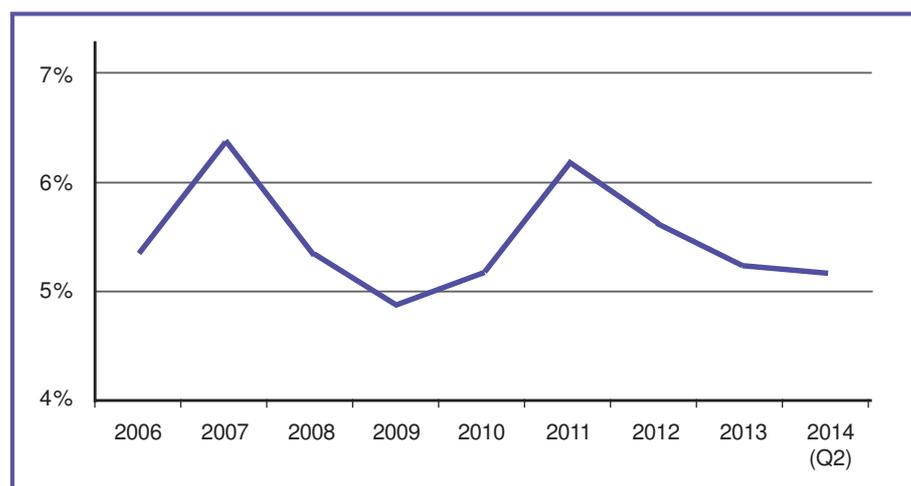
Yield on investment indicator for real estate funds in Switzerland

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.

Current yield

The current investment yield as measured by the SFA ARI® stands at 5.10%. This figure is based on the annual reports as of 30 June 2014, and is marginally lower compared with last quarter (down 0.04 of a percentage point). 26 real estate funds with net assets totaling CHF 25.7 billion were included in calculating the current figure.

Development of the SFA ARI® since 2006



Source: Swiss Fund Data

ETFs still gaining ground

Record-high volumes

Investors have never held as much money in exchange traded funds as at present. This is true both in Europe and worldwide, as shown in the latest figures from the research and consultancy firm ETFGI. According to their data, some USD 477 billion was invested in ETFs and similar passive fund products in Europe as of the end of August. USD 50 billion has been added since the beginning of the year alone, and that too is a new high. The figures reveal that the volume of money invested in ETFs worldwide has reached a new record level.

Three firms dominate the European ETF market

At first glance, not much has changed in recent years. The European ETF market is still highly concentrated, with iShares, db x-trackers, and Lyxor together accounting for two thirds of the market, according to Morningstar. What is worth noting, however, is that many new pro-

viders appear to be showing an interest in the European market, thus enhancing the competitive situation.

Boundaries blurring

The ETF landscape is not only getting more diverse in terms of providers, it is also becoming more confusing. The breadth of products on offer does not necessarily make it easier to answer questions regarding replication methods, the use of swaps to hedge counterparty risks, securities lending, fees, etc. According to Swiss & Global Asset Management, as of the end of July this year the total volume invested in ETFs worldwide was estimated at USD 2.5 trillion, 99% of this amount in products that exactly replicate an index. These products are often a very practical and cheap way of making diversified investments. However, funds that are structured like ETFs but implement active investment decisions in accordance with automated investment strategies are gaining market share.

As at the end of July, the niche of these „active“ ETFs comprised 151 products worldwide from 26 providers, accounting for a total volume of USD 25 billion. Although this 1% might not seem much on the face of it, this is the fastest growing ETP segment in the US. If we add in ETFs that do not invest actively but replicate slightly modified market indexes (i.e. the smart beta segment), these products command a market share of some 18%. The volume invested in smart beta ETFs has nearly quadrupled since 2010, and now stands at around USD 400 billion.

7% of Swiss investors hold ETFs

ETF Ambassadors survey

ETFs are relatively young investment instruments in Switzerland. The first such fund was listed on the SIX Swiss Exchange in the fall of 2000. 7% of Swiss now have money invested in ETFs, this according to a survey of the population in the German-speaking part of Switzerland carried out by GfK on behalf the sector network organization ETF Ambassadors.

52% hold cash only

The scenario of a breakthrough in Switzerland such as in the US, where ETFs have become the number 1 retail investment product, is therefore still a distant prospect. Of the nearly 400 people surveyed, around half hold only cash on their account.

Is 7% a lot?

The 7% ETF ownership figure can be seen in either a positive or negative light. Given the fact that these funds have not been around long, it is a sizable figure. Added to that, some 32% of ETF owners are thinking about increasing their holdings. If we consider the fact the Swiss banks only gave tentative recommendations to ETFs in the initial years since they viewed them as rivals to their own investment funds, there are grounds to be confident for this product category. What is also interesting is that those respondents with monthly household income between CHF 7,000 and CHF 9,000 had the highest holdings of ETFs at 13%. This could be an indication that this form of investment also has the potential to become a popular vehicle in the middle-tier income segment in Switzerland as well.

Alternative assets have hit USD 5.7 trillion

New research from Towers Watson

In its latest Global Alternatives Survey, the data provider examines seven alternative asset classes – hedge funds, private equity, real estate, infrastructure, commodities, real assets and illiquid credit – the latter two appearing for the first time this year. The survey found that the top 100 alternative investment managers together managed USD 3.3 trillion. Within this top 100, real estate managers accounted for the largest share of assets under management (over USD 1 trillion or 31%), followed by private equity managers (USD 753 billion or 23%), hedge funds (USD 724 billion or 22%), private equity funds of funds (USD 322 billion or 10%) and funds of hedge funds (USD 173 billion or 5%). Infrastructure managers accounted for 4% and commodities managers for 2%.

Share of alternative investments rising continuously

The broader survey, which covers 589 asset managers, shows a similar breakdown in AUM, except that real estate's share falls to 24% and hedge funds' share rises to 27%. For almost all of the past eleven years of this research, increasing allocations to alternative assets by a wide range of investors had been seen. Not only has the appeal of alternative assets broadened to include many more insurers and sovereign wealth funds, but the range of alternative assets has also increased beyond the likes of hedge funds and infrastructure to include real assets, illiquid credit and commodities. So it is not surprising that allocations to alternative assets by pension funds, for example, now account for around 18% of all pension fund assets globally, up from 5% fifteen years ago. The report shows that pension fund assets account for 33% of the top 100 alternative managers' AUM, followed by wealth managers (18%), insurance companies (9%), sovereign wealth funds (6%), banks (3%), funds of funds (3%), and endowments and foundations (3%).

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

Federal Financial Services Act and Financial Institutions Act

Consultation process concluded

At the end of June 2014, the Federal Council initiated the consultation on the Federal Financial Services Act (FFSA) and the Financial Institutions Act (FinIA). The FFSA governs the prerequisites for providing financial services and offering financial instruments, while the FinIA makes provision for a differentiated supervisory regime for financial institutions. The consultation process ended in mid-October 2014.

An opportunity for the Swiss financial center

To ensure the international competitiveness of the Swiss financial center and make it possible to seize growth opportunities, Swiss financial market law must be in line with international regulatory standards. This equivalence is an increasingly important prerequisite for the exporting of financial services and products. At 6%, the growth forecasts for the global asset management business are three times higher than for the Swiss market. This increase is being driven above all by pension schemes (pension funds, insurers, sovereign wealth funds), the financing of which will be one of the biggest political challenges in the next years, both in Switzerland and internationally. An even higher proportion of Swiss asset managers' clients thus will come from abroad in the future.

Cementing the position of asset management

As a key mainstay of the Swiss financial sector, asset management in Switzerland should be a byword internationally for the very best in reliability, independence, and quality, and should be known and recognized as such worldwide. The realignment of the legislative environment that has developed over decades presents an opportunity to implement the principle of 'same business – same rules', an opportunity that should be taken. For Swiss asset management, it is of pivotal importance that all those active in the sector meet the same high standards going forward. The proposed restructuring of the financial market legislative regime is an investment in the Swiss financial center. This will pay off for the Swiss asset management industry, and the Swiss financial sector as a whole.

SFAMA welcomes draft bill but calls for numerous improvements

Given that a large portion of Swiss financial services and products are exported to the EU, orientation toward EU regulations is a necessity. However, it must be ensured that this is only applied to the extent required to safeguard the future export possibilities of financial services and products. The draft legislation overshoots the targets in various respects, and must be amended accordingly:

- In the international competition for the management of pension assets, supervisory status often plays a key role. The proposed restriction of the status as a qualified asset manager to those managing the assets of Swiss pension schemes only would entail a competitive disadvantage with regard to the targeted strengthening of asset management in Switzerland.

- SFAMA calls for the mandatory appointment of regulatory auditors for asset managers to be abandoned. It should be replaced by a system that places the onus more clearly on both FINMA and the supervised institutions. This would make it possible to reduce unnecessary costs, while also taking into account the international developments in this area.
- All external investment advisors should in future be subject to prudential supervision. Their role is scarcely any different from that of an asset manager. Such applicability is also required with a view to the corresponding regulations in the EU.
- SFAMA opposes the registration requirement for client relationship managers. This would entail enormous efforts, but would add no value for clients and would therefore not improve the quality of the financial center. There is no pressure from outside Switzerland in this respect.

SFAMA statement

SFAMA opposes most of the measures proposed in the FFSA to step up enforcement. The regulations restricted to the financial sector would cause considerable additional costs for financial service providers active in Switzerland. Here, too, there is no pressure with regard to international standards.

SFAMA's detailed response to the consultations process is available in German at

<http://www.sfama.ch/publications/initiatives-statements-position-papers/statements>

Complete revision of the CISO-FINMA

Entry into force on 1 January 2015

The partially revised versions of the Collective Investment Schemes Act (CISA) and the Collective Investment Schemes Ordinance (CISO) entered into force on 1 March 2013, and contain new requirements for the management, custody, and distribution of collective investment schemes. In light of these revisions, as well as changes to international standards, the FINMA Collective Investment Schemes Ordinance (CISO-FINMA) has now been amended, the aim being to enhance investor protection and support EU market access. The revised CISO-FINMA enters into force on 1 January 2015.

Taking initial stock

Having analyzed the completely revised CISO-FINMA and the consultation report, our conclusion is that FINMA has taken on board the significant criticisms of the draft that SFAMA raised in its statement of 26 May 2014, and has taken account of these in the final version of its ordinance.

English translation

An unofficial English translation by FINMA will be available in the Federal Chancellery's Classified Compilation of Federal Legislation at the beginning of 2015.

<http://www.finma.ch/e/aktuell/pages/mm-kkv-finma-20141014.aspx>

SFAMA Code of Conduct

Codes of conduct merged

Last year's partial revision of the CISA also meant it was necessary to rework the codes of conduct for the Swiss fund industry and asset managers of collective investment schemes. In doing so, SFAMA decided to merge these two documents to form the new Code of Conduct of the Swiss Funds & Asset Management Association SFAMA (SFAMA Code of Conduct). The latter serves as a minimum standard recognized by FINMA in accordance with FINMA Circular 2008/10 of 20 November 2008.

Entry into force

The Code of Conduct was approved by the Board of Directors of the Swiss Funds & Asset Management Association SFAMA on 7 October 2014. It enters into force on 1 January 2015. Information on the transitional provisions can be found under „Deadlines coming up“ in the „Latest news“ section.

FINMA – Asset Management division

New set-up since 1 November 2014

FINMA has further refined its organizational set-up. As of 1 November 2014, the Asset Management division – which is key for the asset management and funds industry – has been split into two Institutions and Products sections based in Bern and Zurich, with two new groups being added: Supervision of Institutions and Products and Distribution. The areas of responsibility can be seen in the organizational chart below.



<http://www.finma.ch/finma/organisation/organigramme/Documents/organigramm-gb-a-internet.pdf>

Financial Market Infrastructure Act

Dispatch adopted

At the beginning of September 2014, the Federal Council adopted the dispatch on the Financial Market Infrastructure Act (FMIA). This law will bring the regulation of financial market infrastructures and derivatives trading in line with market developments and international requirements, thus sustainably strengthening the stability and competitiveness of Switzerland's financial center.

<http://www.efd.admin.ch/00468/index.html?lang=en&msg-id=54305>

Specialist information factsheet – Membership and creditor’s rights

Addendum 2014

At the end of October 2014, SFAMA published the addendum to its specialist information factsheet on the exercise of membership and creditor’s rights to take account of the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (OaEC). (Available in French and German only).

<http://www.sfama.ch/self-regulation/fund-management?lang=en>

Automatic exchange of information in tax matters

Negotiation mandates with partner states

At the beginning of October 2014, the Federal Council adopted definitive negotiation mandates for introducing the new global standard for the automatic exchange of information in tax matters with partner states. The competent parliamentary committees and the cantons have been consulted on the mandates in recent months. Negotiations with partner states should commence shortly.

SFAMA involvement

Both the SIF and the FTA have invited SFAMA to take part in mixed working groups.

<https://www.news.admin.ch/message/index.html?lang=en&msg-id=54768>

Third series of corporate tax reforms

Federal Council launches consultation

At the end of September 2014, the Federal Council decided to launch the consultation on the third series of corporate tax reforms. The reforms are aimed at developing the Swiss tax system further and boosting competitiveness, while taking international developments into account. Switzerland’s appeal as a tax location should be enhanced and companies should continue to make an important contribution to financing the tasks of the federal government, the cantons and the communes. The draft is the result of several years of preparatory work in which the cantons and businesses were closely involved.

SFAMA’s position

SFAMA’s „Taxes“ specialist committee is currently analyzing the draft, focusing in particular on possible implications for collective investment schemes and their investors.

<http://www.efd.admin.ch/00468/index.html?lang=en&msg-id=54566>

VAT Info 14 „Financial Sector“

Revision of Section 5.2 Collective Investment Schemes

On 11 September 2014, the FTA published on its website information on material changes regarding publications in accordance with the Swiss VAT law. This also affects in particular Section 5.2 Collective Investment Schemes of VAT Info 14 „Financial Sector“, valid from 1 January 2015. This information is available in German, French and Italian only. To see the modifications, enter the dates 10.09.2014 to 11.09.2014 in the corresponding fields, and click the button below to display.

G: <https://www.gate.stv.admin.ch/mwstwebpublikationen/pubpages/displayDocschangedCpfrs.xml?wid=46978>

F: <https://www.gate.stv.admin.ch/mwstwebpublikationen/pubpages/displayDocschangedCpfrs.xml>

„Swiss Code“

2014 version approved

The „Swiss Code of Best Practice for Corporate Governance“ has served as a guideline for Swiss companies in matters of corporate governance since its introduction in 2002, and has made a significant contribution toward Switzerland now being one of the leaders in this area worldwide. Following an initial revision in 2007, changes to the environment made it necessary to amend the Swiss Code for a second time. Following a broad public consultation, the Board of Directors of economiesuisse approved the definitive version on 28 August 2014.

http://www.economiesuisse.ch/en/Documents/compliance_e_web.pdf

Guidelines on informing about structured products

Amendments as of 1 March 2015

In light of the revision of the CISA, the Swiss Bankers Association has amended its guidelines on informing investors about structured products. Since these amendments were made in close cooperation with the Swiss Structured Products Association (SSPA), the two associations agreed to issue the guidelines jointly. The guidelines have been recognized by FINMA, and enter into force on 1 March 2015. The revised version is available in English, German, and French.

http://www.swissbanking.org/shop_popup.htm?ID=1000012

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

AIFMD

Update Q&As

On 11 November 2014 the European Securities and Markets Authority (ESMA) published updated questions and answers on the application of the AIFMD. The purpose of this document is to promote common supervisory approaches and practices. It is aimed at competent authorities under AIFMD.

Q&As:

http://www.esma.europa.eu/system/files/2014-esma-1357_qa_aifmd.pdf

Call for evidence re. passport and third country AIFMs

On 7 November 2014 ESMA opened a call for evidence on the AIFMD. The EU authority has to develop an opinion under the AIFMD on the functioning of the EU passport and the functioning of the marketing of non-EU AIFs by EU AIFMs in the EU and the management and/or marketing of AIFs by non-EU AIFMs in the EU. It must also issue advice on whether the passporting regime should be extended to the management and/or marketing of AIFs by non-EU AIFMs and to the marketing of non-EU AIFs by EU AIFMs. The aim of this call for evidence is to gather input on the key issues that will determine the orientation of ESMA's opinion (deadline for responses: 8 January 2015). In order to positively influence ESMA's opinion on the possible extension of the European management and marketing passport to Swiss AIFMs, SFAMA will consolidate the answers of its members (to be sent to SFAMA before 10 December 2014) and submit a global answer to ESMA.

Call for evidence:

http://www.esma.europa.eu/system/files/2014/esma-1340_call_for_evidence_aifmd_passport_3rd_country_aifms.pdf

UCITS consultations

Responses received

On 28 October 2014 ESMA published the responses to the consultations on „Calculation of counterparty risk by UCITS“ and on „Delegated acts under UCITS V“.

Calculation of counterparty risk:

http://www.esma.europa.eu/system/files/2014/esma-1340_consultation_paper_calculation_counterparty_risk_UCITS_OTC_franco_bilateral_responses

Delegated acts:

http://www.esma.europa.eu/system/files/2014/esma-1340_consultation_paper_calculation_counterparty_risk_UCITS_OTC_franco_bilateral_responses

Depositary requirements under UCITS V

On 26 September 2014 ESMA issued a consultation paper on draft technical advice to the European Commission. The EU authority was

consulting on draft implementing measures regarding the depositary role of UCITS funds. In order to enhance the protection of investors' assets, UCITS V upgrades the duties and liabilities of UCITS' depositaries by clarifying the safekeeping, oversight and cash flow monitoring functions. The new rules prescribe the types of entity that may act as a depositary. ESMA's consultation sought stakeholders' views on proposals in two areas related to the depositary function: 1. Insolvency protection when delegating safekeeping, 2. Independence requirements. Feedback was requested by 24 October 2014.

Depositary requirements:

<http://www.esma.europa.eu/news/ESMA-consults-depositary-requirements-under-UCITS-V/?t=326&o=home>

New double taxation agreements with Australia and Hungary

Applicable from 1 January 2015

The ratification procedures for the new double taxation agreements (DTAs) with Australia and Hungary have been concluded. The new DTA with Australia entered into force on 14 October 2014, and that with Hungary on 9 November 2014. These replace the currently applicable agreements, and the provisions apply from 1 January 2015. The term „pension scheme“ also includes funds that serve primarily to manage or pay out pension benefits, or to generate income for one or more such schemes.

<https://www.news.admin.ch/message/index.html?lang=en&msg-id=55236>

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-Registration>

Automatic exchange of information

Swift introduction

On 21 July 2014, the OECD published the overall package for the new global standard in respect of the automatic exchange of information in tax matters. The swift introduction of the standard was reaffirmed at the meeting of the G20 finance ministers held on 20 and 21 September in Cairns, Australia. A first group of over 50 states, known as early adopters, have announced that they will start collecting data in 2016 and exchange it for the first time in 2017.

<http://www.oecd.org/tax/exchange-of-tax-information/mcaa-signatories.pdf>

Lithuania to join eurozone

Membership from 2015

Lithuania was given the green light by the EU's finance ministers at the end of June 2014 to adopt the EUR. This opens the way for the country to become the 19th of the EU's 28 member states to join the currency union in 2015. The Council of Ministers announced that the exchange rate for the Lithuanian litas is already set at LTL 3.45280 to the EUR (this figure may be subject to change).



SFAMA activities

New members

Four additional members

The Board of Directors and the Executive Board were pleased to welcome the following new members to the SFAMA in Q4 2014:

- 1875 Finance SA, Genève
- Jupiter Asset Management (Switzerland) AG, Zürich
- Symbiotics SA, Genève
- Neuberger Berman Europe Limited, Zurich Branch, Zürich

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

- Holding an alternative investments media event covering the theme „Investing in a Low Interest Rate Environment“
- Detailed discussions on extending the committee with representatives from the commodity sector
- Analysis of the impact of MiFID II / FFSA on the Swiss alternative investments business

Asset Management Gérard Fischer

- „Sounding board“ for the Asset Management Initiative Switzerland
- Involvement in various project groups under the Asset Management Initiative Switzerland
- Discussions on the ideal positioning of the asset management function in the ongoing legislative process, in particular with regard to FFSA / FinIA

ETF

Stephan Müller

- Continuing the discussion regarding price-setting mechanisms for ETFs and other exchange-traded instruments
- Evaluation of the possible impact of FFSA on the ETF business

Real Estate Funds

Riccardo Boscardin

- Amending SFAMA's model documents in line with the partially revised CISA and CISO, and the Transparency Guidelines

Processes & Operations

Martin Jufer

- Complete revision of the CISO-FINMA
- Federal Financial Services Act (FFSA) and Financial Institutions Act (FinIA)
- Financial Market Infrastructure Act (FMIA)
- FATCA – enforced redemption of bearer unit certificates
- Specialist recommendation on valuations for the year-end 2014/15

Legal & Compliance

Alexandre Meyer

- Partial revision of CISA/CISO: amending the self-regulation material
- Complete revision of the CISO-FINMA: analyzing the ordinance
- FFSA/FinIA: follow-up
- FMIA: analyzing the dispatch
- Duty to keep documentary records: next steps
- Analysis of Art. 6a CISO
- AIFMD: passport for third countries, ESMA consultation
- MiFID: Level 2 measures
- UCITS V: discussions on Level 2 measures regarding custodian banks

Taxes

Hanspeter Kurz

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

Distribution & Marketing

Markus Signer

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

Upcoming events**A date for your diaries****Swiss Funds & Asset Management Forum 2015**

„New financial market regulation – Opportunity for asset management“
Friday, 27 March 2015 in Bern

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

www.sfama.ch/events



Swiss Fund Data AG

Fees reduced

Applicable for 2015

The pleasing growth in 2014 has allowed Swiss Fund Data AG to once again lower its participation fees for 2015, this in keeping with its philosophy as a non-profit organization. It has also launched a wide range of innovative services:

New, web-based statistics tool with free trial subscription

To mark the launch of the online fund market statistics tool developed together with Morningstar, all those interested will receive free access to the market statistics from 1 January 2015 to 31 March 2015. During this period, they will be able to independently use all the Swiss fund market statistics functions offered by the tool, and will be able to aggregate, analyze and export data as they want, or test drilldowns. Interested parties can register using the email below quoting the key words „Market statistics: trial subscription 2015“.
helpdesk@swissfunddata.ch

System users very satisfied

The email survey of around 450 users conducted in October showed an exceptionally positive response in all aspects (handling of price data, legal announcements, documents, master data, monitoring, speed of the online tool, and client support). Swiss Fund Data sees this as an endorsement of its ongoing efforts to continually expand its services in the interests of client satisfaction.

Provider news for qualified investors

The Partner News section, which users can edit themselves, can now distinguish between the two client groups Private Investors and/or Qualified Investors. This new function enables Swiss Fund Data's partners to ensure that their news addresses the right investors.

Fund market statistics chart application

Swiss Fund Data has developed a new chart application that can be simply embedded in any website, offering nine dynamic and up-to-date charts covering the Swiss fund market. These are:

- Swiss fund market in general
 - Asset allocation in the Swiss fund market / market share
 - Top 10 fund classifications / assets in CHF billion
 - Top 10 fund classifications / flows over 3 months in CHF million
- ETF market
 - Development of ETFs over 5 years / assets in CHF billion
 - ETF asset allocation / market share
 - ETF flows / cumulative flows over several periods in CHF million
- Institutional market
 - Development of institutional funds over 5 years / assets in CHF billion
 - Institutional funds asset allocation / market share
 - Institutional funds flows / cumulative flows over several periods in CHF million

Applicable for 2015

The fund market statistics are already being used by the CASH.ch platform, with more set to follow soon.

Any platforms wishing to incorporate these dynamic charts – available in English, German, French, and Italian – in their websites can find out more by contacting the email address below, quoting the key words „Market statistics and charts“:
info@swissfunddata.ch



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 2015 in Zurich and to the end of 2015 in Geneva are as follows:

Save the date

Events in Zurich (cycles 23 and 24)

- 20.01.15 The law and conduct on the client front – regulations, compliance, and implementation
- 17.02.15 Is there really no alternative to the equity markets at present?
- 17.03.15 Process management in the fund business: never change a running system?
- 14.04.15 Initiative to promote Switzerland as an asset management location: initial results?
- 05.05.15 Current trends in active investment approaches
- 09.06.15 Alternative investment funds: markets, products and regulation
- 30.06.15 Investment compliance: key factors and operational implementation

Events in Geneva (cycle 9)

- 10.03.15 Topic to be defined
- 02.06.15 Topic to be defined
- 08.09.15 Topic to be defined
- 01.12.15 Topic to be defined

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: 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 (click on „Event-Kalender“).

www.friends-of-funds.ch (Rubric Event-Kalender)

Switzerland's New Financial Market Architecture

Niederer Kraft & Frey – Publication 18

The Swiss finance industry is going through interesting times. In addition to the changing economic environment and political views on how to govern financial market activities, the regulatory framework is about to be amended in a fundamental and comprehensive way. No longer will regulation have a sector focused approach. Rather, the financial markets legal architecture will henceforth be based on different levels of regulation with the aim of applying the same rules to similar products and services across the industry.

[http://www.nkf.ch/Assets/2013/publications/and_o_boggen/Switzerland's New Financial Market Architecture.pdf](http://www.nkf.ch/Assets/2013/publications/and_o_boggen/Switzerland%27s%20New%20Financial%20Market%20Architecture.pdf)

Vision Asset Managers

Frontline Revolution for Asset Managers

State Street's 2014 Asset Manager Survey explores the new battleground for asset managers as they reshape their businesses in the face of shifting investor demands and more intense competition.

http://statestreet.com/vision/assetmanagers/infographic/Asset_Manager_Research_Infographic.pdf

Swiss Independent Wealth Managers – Challenges and Opportunities Ahead

Coutts Research Report 2014

Switzerland's independent wealth managers represent a highly entrepreneurial and client-centric model of wealth management, and one which continues to remain highly popular among the world's wealthiest individuals and families, despite it only really existing in its particular form in Switzerland and it now being under threat. High and ultra-high net worth clients both domestically and from all over the world entrust very significant amounts of assets to Switzerland's IWMs; they are estimated to manage assets totaling around CHF 500 billion – a figure which amounts to around 14% of all the client monies managed in the Alpine state.

Steuern kollektiver Kapitalanlagen

Besteuerung kollektiver Kapitalanlagen und deren Anleger unter Berücksichtigung der Mehrwertsteuer

Das Buch von Dr. Toni Hess (erscheint Oktober 2014 im Helbing Lichtenhahn Verlag) 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.

Inhalt

- 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>

Bank-like structures in Switzerland

Case study supplementing 2014 FSB report

Bank-like structures in the credit market such as hedge funds, other funds and leasing companies, so-called shadow banks, play a substantially smaller role in Switzerland than international publications had assumed up to now in rough estimates. This is indicated in a new, specific case study on Switzerland which is contained in the annual report published recently by the Financial Stability Board (FSB) on shadow banking.

<https://www.news.admin.ch/message/index.html?lang=de&msg-id=55023>

Global fund services

SIX Securities Services and Euroclear join forces

SIX Securities Services and Euroclear have joined forces to provide even more comprehensive, end-to-end fund services for their clients. Building on SIX's strong Swiss market presence and client relations; and Euroclear's powerful FundSettle processing capabilities, this approach is designed to provide enhanced mutual and hedge fund services.

<http://www.six-securities-services.com/de/shared/news/2014/dss-news-140930-euroclear.html>

Berne Exchange kooperiert mit der grössten Aktienhandels-Plattform Europas

Partnerschaft für mehr Wettbewerb

Der ETF-Handel in Europa soll einfacher und günstiger werden. Dies bezweckt die Mitte September 2014 bekanntgegebene Kooperation zwischen der Berner Börse BX und der alternativen britischen Handelsplattform Bats Chi-X, die gemessen am Handelsvolumen die grösste europäische Börse ist. Die Zusammenarbeit umfasst zwei Bereiche. Der wichtigere ist das Cross-Listing von ETF. Dies soll einen günstigeren paneuropäischen Handel mit diesen Indexfonds ermöglichen.

https://www.bernex.com/binaries/content/assets/bats/news/pdf/140915_media_mitteilung_bx_bats_de_ubersetzung.pdf

trackinsight

New analysis platform for ETFs

The investment advisory firm Koris International has launched an analysis platform for tracking European index funds, aimed at institutional investors. The platform is called trackinsight, and allows users to visualize the historical performance of index funds and compare this with the market index, in particular with regard to the tracking error and tracking difference.

www.trackinsight.com

Fundbase

New information platform for alternative investments

Fundbase offers qualified investors a web-based platform where they can find information on hedge funds and private equity investments, and that also allows them to make and monitor investments.

www.fundbase.com



Impressum

Editorial team

Swiss Funds & Asset Management Association SFAMA
 P.O.Box, CH – 4002 Basel
 Phone +41 61 278 98 00
 Fax +41 61 278 98 08
 office@sfama.ch
 www.sfama.ch

Layout and implementation

R Consult Markus Röthlisberger
 P.O.Box 140, CH – 5022 Rombach
 Phone +41 62 827 37 47
 roethlisberger@r-consult.ch
 www.r-consult.ch

Authors' opinions

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