AFBS News April 2024

AFBS Get Together 2024

Save The Date: The Get Together 2024 will take place on 10 June 2024, Ecole Hotelière de Genève, Geneva.

Legislation and Regulation: Switzerland

Federal Council

The Federal Council published its report on Safeguarding Financial Stability, reviewing the UBS-CS transactions and proposing measures for the future. The report contains 37 measures with assessment ranging from rejection to application to all financial intermediaries, all banks, only SIB. Major impact is on SIB; impact on banks of categories 4 and 5 is expected to be limited but needs to be carefully assessed, especially as some measures are proposed to be applicable "by analogy". **Info**: Report and FAQ: DE FR IT EN

The Federal Council approved the negotiating mandate with the EU in its definitive form. Among the changes to the draft version, the mandate now encompasses the resumption of the dialogue on financial market regulation. Within this dialogue on cross-border business, core topics will be wealth management, the institute specific approach as well as the equivalence. On 18 March the negotiations were officially opened. **Info**: DE FR IT EN and DE FR IT EN

The interdepartmental coordinating group on combating money laundering and the financing of terrorism (CGMF) published a report on cryptocurrencies. With the rise of Virtual Assets, VA-related SARs have seen a massive increase. One key risk in Switzerland identified by the report is the lack of SARs reported by FIs engaged in VASP activities. Of the 204 existing FIs with VASP activities at least 180 have not submitted a single SAR to MROS between January 2020 and the end of December 2022. **Info**: CGMF Report: DE FR IT EN.

Federal Council sets interest rates for COVID19 loans. The rates remain applicable for a twelve-month period starting on 1 April. It agreed to maintain interest rate unchanged for the twelve months: 1.5% for loans of less than CHF 500,000 and 2.0% for loans above that threshold. **Info**: DE FR IT EN

Swiss Parliament

Swiss Parliament decided to give more competencies to family foundations. In the future, they should also be an instrument for the succession planning and wealth management. **Info**: DE

Swiss Bankers' Association

SBA has updated its Guidelines on Minimum Requirements for Mortgage Loans and the Guidelines on Assessing, Valuing and Processing Loans Secured Against Property in line with the Swiss implementation of Basel III final. It withdrew restrictive rules governing lending for investment properties from the farther and introduced requirement for an independent valuation and a new duty to conduct periodic reassessments of creditworthiness and affordability from the latter. **Info**: DE FR IT EN

AFBS Info serves as a platform for early information and is submitted for confidential use only. Certain information may still be awaiting final approval and may thus be subject to change. Although all sources of information are selected with the utmost care, errors and inaccuracies cannot be excluded.

FINMA

FINMA recognises as binding minimum standard of self-regulation the proposed adjustments to the Guidelines on Minimum Requirements for Mortgage Loans. **Info**: DE FR IT EN

FINMA published Ordinances for Swiss implementation of Basel III. The Ordinances transpose Federal Council's Capital Adequacy Ordinance for banks and are planned to enter into force on 1 January 2025. **Info**: DE FR IT EN

Swiss National Bank

On 3 April 2024 Bank for International Settlements (BIS) and seven central banks including Swiss National Bank announced their plans to further explore how tokenisation can enhance the functioning of the monetary system. The Project Agorá will investigate how tokenised commercial bank money can be seamlessly integrated with tokenised wholesale central bank money on a public-private programmable core financial platform. **Info**: LINK

Legislation and Regulation: International

Financial Stability Board FSB

In its peer review of Switzerland, the FSB assessed Switzerland's implementation of TBTF reforms for global systemically important banks (G-SIBs). While improvements since the last reviews have been attested, the FSB presented ten recommendations to strengthen the stability of the financial. **Info**: LINK

FATF intends to revise Recommendation 16 on Payment Transparency. An update is necessary to assure technology neutrality and same-business same-rules. FATF invites stakeholders to express themselves on the following points: * transparency requirements on exemption for purchase by cards; * end exemption applicable to withdrawal and purchase of cash; * improve quality of originator and beneficiary information in payments; * definition of payment chain. **Info**: LINK

UK Switzerland: Mutual Recognition Agreement

The Berne Agreement has been signed last year. Governments are presently working on implementation. That requires Federal Council to issue dispatch to Parliament and parliamentary debate expected to conclude early in 2025. Entry into force can thus be expected for mid-2025 / early 2026.

Securities Trading

EU revised its regulation on securities trading restricting the obligation of trading on EU trading venues to titles of an issuer incorporated in the EU/EEA. Exempt are securities issued in a non-EEA currency. Switzerland nevertheless maintains its stock exchange protective measures as the Swiss trading venue remains disadvantaged due to the lacking recognition of equivalence. The question is expected to be addressed in the upcoming regulatory dialogue.

USA: Internal Revenue Service IRS

IRS announced that withholding agents (both U.S. and foreign persons) are administratively exempt from the requirements to electronically file Forms 1042, required to be filed in calendar year 2024. It also informs that withholding agents that are foreign persons are administratively exempt from the requirements to electronically file Forms 1042 required to be filed in calendar year 2025. **Info**: LINK

AFBS Info serves as a platform for early information and is submitted for confidential use only. Certain information may still be awaiting final approval and may thus be subject to change. Although all sources of information are selected with the utmost care, errors and inaccuracies cannot be excluded.

Digitalisation

EU adopted the AI Act. It identifies six principles applicable to AI systems: * human agency and oversight; * technical robustness and safety; * privacy and data governance; * transparency; * diversity, non-discrimination, and fairness; * social and environmental well-being. It offers four levels of risk ranging from prohibited activities over high- and medium- to low-risk. The Act will have extraterritorial applicability to all AI systems producing effect on EU soil. Entry into force is 24 months after adoption with special deadlines of 6 months for enforcement of prohibited practices, 12 months for general purpose AI systems; 36 months for high-risk systems. **Info**: LINK

The Committee on AI of the Council of Europe adopted the "Artificial Intelligence, Human Rights, Democracy and the Rule of Law Framework Convention". It is the first international convention to set out legal and regulatory framework for usage of AI in all life cycles. The convention has been elaborated by the 46 states of the Council of Europe and other important states such as Australia, Argentina, Canada, Israel, Japan, Mexico, USA, and organisations from civil society and from intergovernmental. **Info**: Council of Europe: LINK ; text: DOC

Federal Council amended the Ordinance on Investment Foundations allowing the latter to hold their assemblies remotely. This amendment enters into force per 1 July 2024. **Info**: DE FR IT

Sustainable Finance

On 1 February 2024 FINMA published for consultation the draft Circular **Nature-Related Financial Risks**. Banking associations criticise the proposal which is more extensive than initially announced. They criticise double materiality which obliges banks to measure impact of their business activity on nature and biodiversity, without such frameworks of reference being available. They criticise focus on biodiversity for which no common standards have been defined. They criticise scope which includes financial flows, for example through transition plans, which goes beyond the mandate of FINMA's regulatory activity. **Info**: AFBS Comment: LINK; SBA Comment: DE

The Federal Office of the Environment invites for participation to the 2024 edition of the **PACTA** assessment. It helps evaluating financial sector's progress on the transition towards achievement of the Paris Climate Agreement goals. **Info**: DE FR IT EN

SECO references five studies that assess market impact on **sustainable doing of business**. They reveal that * dynamic pricing of resources (fuel, electricity) has direct impact on consumer behaviour; * increase of productivity allowed for reduction of overall work time, increase of holidays, and increase of flexibility of working hours; * CO2 intensity of international trade can be reduced. **Info**: DE FR IT

Swiss Sustainable Finance invites banks and asset managers to complete its survey for the Swiss Sustainable **Investment Market Study** 2024. The questionnaires may be found on the website. **Info**: LINK

EU adopted its **Corporate Sustainability Due Diligence Directive CSDDD**. It aims at obliging companies to identify, terminate, prevent, mitigate, and account for negative impact on human rights and environment; it targets the company itself, its subsidiaries, and its supply chain. Large companies also need to align business strategy to limiting global warming to 1.5°. Directors of such companies are held to assure setting up and overseeing implementation. The regulation targets EU companies and non-EU companies with business in the EU; Swiss companies with turnover above EUR 450Mio in the EU are in-scope. **Info**: CSDDD: EU COM: LINK Council Proposal: DOC

AFBS Info serves as a platform for early information and is submitted for confidential use only. Certain information may still be awaiting final approval and may thus be subject to change. Although all sources of information are selected with the utmost care, errors and inaccuracies cannot be excluded.

EU promotes regulation of corporate sustainability and social responsibility. Several EU agencies deploy activities. A webpage of the EU Commission lists relevant projects. **Info**: EU: LINK

The US Securities and Exchange Commission (**SEC**) adopted rules to enhance and standardise climate-related disclosures by public companies and in public offerings. **Info**: LINK

Events

14.5.2024 Zürich and 17.5.2024 Geneva: AFBS Roundtable New Challenges Arising from Positive Interest Rates; HU.Bacher, A.Sommer., KPMG.

23.5.2024: AFBS V/C Conference Implementing the Swiss Climate Scores; Ch.Baumann, State Secretariat for International Finance, D.Wild, Bank J.Safra Sarasin Ltd..

28.5.2024: AFBS V/C Conference Current EU regulation on Market Access and Latest Changes; Ph.Rosenauer, JC.Spillmann, PricewaterhouseCoopers.

6.6.2024: AFBS V/C Conference Social Responsibility: Reporting Duties Arising for Swiss Companies; D.Bühr, T.Segessenmann, N.Noth, LALIVE.

17.6.2024: AFBS V/C Understanding industry sustainability reportings; G.Aquaro, G.Folino, ERM.

Last Minute

Finance.swiss published a video interview with AFBS president Adrian Nösberger: Link

IMF country report on Switzerland sees challenges for fiscal policy and financial stability: DE FR IT EN

SFTA Activity Report 2023: DE FR IT

U.S. Securities and Exchange Commission (SEC) announced the settlement of charges against two investment advisers for making false and misleading statements about their purported use of artificial intelligence (AI): LINK

Annual report of the Federal Audit Oversight Authority (FAOA): **Info**: LINK

Swiss Financial Innovation Desk FIND invites for a hackathon on financial innovation: DE FR IT EN

Studies advise against Financial Transaction Tax: Bundesfinanzministerium Germany: DE ; France Cour des Comptes: FR ; World Bank: EN

AvenirSuisse: How to regulate banks?: DE FR EN and on Switzerland's competitive ranking: DE FR

AFBS Info serves as a platform for early information and is submitted for confidential use only. Certain information may still be awaiting final approval and may thus be subject to change. Although all sources of information are selected with the utmost care, errors and inaccuracies cannot be excluded.