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SWITZERLAND

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Introduction

In 1993, GDP in Switzerland was SFr 343 bn (ECU[1] 199.3 bn) . With a population of 6.9 mn this represented a per capita GDP of 49,700 FS (28,878 ECU) compared to 15,800 ECU in the EU.

The European Economic Area Treaty (EEA) was rejected by Swiss voters in a referendum on 6 December, 1992. This has resulted in the exclusion of Switzerland from the market opening measures accorded in the EEA. Switzerland nonetheless remains an important trading partner being the second largest individual export market of the EU and the third largest source of imports. Negotiations are now proceeding for the conclusion of a series of bilateral agreements in the areas of air and road transport, research, agriculture, mutual recognition of conformity assessment, public procurement and persons.

CREDIT INSTITUTIONS

Overview

The Swiss financial industry has been faced with difficult structural problems. The market is considered to be overbanked. In addition to four universal banks, Switzerland has 28 public sector cantonal banks, nearly 200 regional banks, and over 1,100 outlets of co-operative banks. About 20% of the banks and bank like financial institutions are wholly or majority foreign owned. There are over 148 foreign banks with a permanent presence in Switzerland. The European banks in Switzerland include: Credit Industrial d'Alsace et de Lorraine, Barclays Bank, Credit Lyonnais, Société Générale Alsacienne de Banque and Lloyds Bank.

The take-over of the troubled Swiss Volksbank by CS Holdings, the parent of Crédit Suisse has resolved some of the uncertainty concerning the future of the retail banking industry. CS Holdings is now on a roughly equal-footing with the large Swiss banks, the Union Bank of Switzerland and Swiss Bank Corporation, and the Zurich Kantonal Bank.

Cantonal banks faced with increasing competition, instead of opting for mergers and take-overs, have generally preferred to negotiate co-operation agreements. Cantonal banks account for just over a fifth of all banks' assets.

A new banking law of 1995 authorises the Federal Banking Commission (FBC) to exchange information and documents with foreign bank supervisors. Furthermore, the banking law provisions restrict the use of the word "Swiss" in bank names. Previously banks had to prove that at least half its capital was held by Swiss interests, now only voting interests of over 10% will be taken into account.

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1 Exchange rates :
At 1993 year end 1 ECU = 1.645 AUD
Annual average 1 ECU = 1.721 AUD

Foreign banks

For the establishment, operation and funding of business activities, the Swiss government imposes no legal constraints on foreign banks. The new banking law of January 1995 permits foreign banks to open subsidiaries, branches, and representative offices in Switzerland without the approval of the FBC. The law is based on the principle of reciprocity. European banks in particular have benefited from the new law.

The new banking law also requires shareholders holding a minimum of 10% of capital or voting rights (a major shareholder) to notify any acquisition or sale of the shares to the bank, which then conveys the information to the FBC. Another requirement of the new act is for major shareholders to give a guarantee to the FBC that they will exert their influence in a way that would not undermine the fit and proper conduct of the bank. The FBC has the power to block the voting rights of major shareholders if the requirements are not complied with.

INSURANCE

Overview

The Swiss insurance market, one of the most concentrated in Europe, was until recently an informal cartel between Swiss companies. However, increased deregulation and competition are changing the shape of the market. Tariffs in most life and non-life sectors in Switzerland have now been freed, and fixed tariffs for compulsory third party motor insurance will be abolished in January 1996. The domestic insurance market is valued at more than SFr 30bn a year. During 1992, foreign insurance companies accounted for only 2% of the domestic market. It is now estimated to be over 10%. The main European company to have increased its market share is Germany's Allianz.

Table 1 - Indicators of Insurance Business - Year 1993

	Life	Non-life	Total
Total premiums (bn SFR)	18.9	12.8	31.7
. Premiums as % of GDP	5.5	3.7	9.2
. Premiums per capita (in SFR)	2745	1857	4602

Source: SIGMA

SECURITIES

Overview

Switzerland has seen a recent wave of legislation concerning the financial markets (a Banking law, Stamp Tax Act, and a proposed Stock Exchange law, and an Investment Funds law) to ensure and improve the competitiveness of the Swiss financial centre. The Swiss market is the fourth largest in Europe.

The Union Bank of Switzerland, Credit Suisse and the Swiss Bank Corporation account for over 50% of all trading on the Swiss exchanges, and the Bank of Zurich accounts for about one-fifth.

Table 2 - Securities Market Indicators

	1992	1993
Turnover in equity shares (SFR bn)	165,0	312,0
Turnover as % of GDP	48,7	90,9
Capitalisation equity shares (SFR bn)	277,0	402,0
Number of listed companies	470	464

Source : FIBV. Basel, Geneva and Zurich Stock Exchanges

Foreign securities firms

For the establishment and operation of foreign financial firms, the Swiss government imposes no legal constraints. Foreign securities firms are subject to the same conditions as domestic firms for the provision of broker, dealer and underwriting services. The introduction of new financial products to the market is not restricted. Foreign firms have the opportunity to obtain seats on the stock exchanges.

Currently the stock exchanges in Switzerland are controlled at cantonal level. The existing system is to be replaced by a federal law in mid-1995. The FBC is to be responsible for supervision of the securities market. In the application of its guidelines, the new powers are be applied in a flexible approach. Like many mature stock exchanges, emphasis will be placed on a high degree of self-regulation, and the principle of national treatment will be applied.

Switzerland applies a liberal policy towards fund management activities, and no discrimination exists against foreign funds. Foreign firms may also manage local pension funds, and other institutional monies.

The proposed Investment Funds legislation is designed to be EU compatible, and to encourage financial institutions to maintain their funds in Switzerland.