

Finance and business transactions

Updates edition 2019 – June 2022

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Corrections and new content (June 2022)

The banking world is changing continually, meaning that the content of the material in BankingToday (BT) also changes from year to year. It is a key objective that the content of BT is always up-to-date.

This is why Compendio Bildungsmedien publishes an updated and corrected version of BankingToday each year.

This update ensures that purchasers of the 2019 edition have up-to-date information in each case:

- This update is supplemented at the beginning of June for three consecutive years and published on www.compendio.ch/bankingtoday
- This ensures that all amendments and additions to the teaching material are familiar for preparing the final examinations in summer or in spring.

Tip: We recommend noting the amendments and additions contained in the update in the teaching material early in the preparation phase or transferring them to the teaching material. This allows you to benefit from a repetition effect that cannot be underestimated.

Section	Investing 1: Overview and equity securities
Chapters 1 and 2	No corrections identified
3.2.1 Bearer and registered shares	<p>Update on bearer shares:</p> <p>Since November 2019, bearer shares have only been permissible if the joint-stock company is listed on a stock exchange or the bearer shares take the form of book-entry securities. Such an exception must be entered in the commercial register. On 1 May 2021 inadmissible bearer shares will be converted into registered shares by law.</p> <p>Previously, bearer shares could be held anonymously and transferred without owners and beneficial owners having to be disclosed. The extensive abolition of bearer shares has increased the transparency of legal entities, making tax-related offences and money laundering more difficult.</p>

Section	Investing 2: Bonds, money market instruments and investment funds
1.1 Bonds: an overview	<p>Update on the issue prospectus:</p> <p>Due to the Financial Services Act (FinSA) and the associated Ordinance (FINSO), the requirements for the prospectus are now as follows:</p> <ul style="list-style-type: none"> • a summary with, for example, the type of bond or security number • information about the issuer, such as the name of the company, its legal status, information about its board of directors and management and on its business operations or annual financial statements • information about the bond such as risks, rights, restrictions, type of offering, number and nominal value <p>A key information document is also required for retail clients if a bond is to be offered to them.</p>
1.3.1 Floating rate bond	<p>Addition on the LIBOR:</p> <p>Due to the replacement of the LIBOR by the SARON as of the end of 2021, the SARON is likely to serve as a measurement in future.</p>

Section	Investing 2: Bonds, money market instruments and investment funds
3.1.1 Fund assets (1)	<p>Specification of the net asset value: The net asset value is the current value of the investments in the fund, minus the fund liabilities.</p> $\text{NAV per certificate} = \frac{\text{Current net fund assets}}{\text{Number of certificates in circulation}}$ <p>After deducting liabilities, the fund's assets (XY) total CHF 512.4 million, divided into 807,565 unit certificates.</p> $\text{NAV per certificate} = \frac{512,400,000}{807,565} = \text{CHF } 634.50$
3.1.2 Position of investors (2)	<p>The section of text on open- and closed-ended investment funds was removed.</p> <p>Addition of the rights of investors in the case of investment funds:</p> <ul style="list-style-type: none"> As a private investor, you are also entitled to receive the key information document, an easy-to-understand summary of all the main details of the fund
3.1.3 Fund management company (3)	<p>Update to the requirements for the fund management company: The Financial Institutions Act (FinIA) now regulates the requirements for the fund management company instead of the CISA. An additional task of the management company is to offer fund units.</p>
3.3 Opportunities and risks of investment funds	<p>Addition on distribution and reinvestment: Reinvestment means that no issue commission generally needs to be paid on the fund units reinvested.</p> <p>The following regulation is an addition for clarity and the high data density: Regulated product: funds are required to meet certain minimum requirements that safeguard investors' interests</p>
Answer 3	<p>Partial answer C] was updated: Refer to the prospectus and key information document.</p>

Section	Investing 3: Forward transactions, structured products and alternative investments
All chapters	No corrections identified

Section	Investment advisory and portfolio management
Chapters 1 - 4	No corrections identified
<p>5.4 new: Codes of conduct</p>	<p>Update to the whole chapter and new title "Codes of conduct":</p> <p>5.4 Codes of conduct</p> <p>If a client does not achieve their objectives with or makes a loss on their portfolio, they will soon begin to wonder whether they can make their bank liable for this in terms of its investment advice and wealth management.</p> <p>The following applies as a basic principle:</p> <ul style="list-style-type: none"> • The client bears the risks of their investments themselves. The client enjoys the profits and bears the losses. <p>The bank is only liable if its employees violate the strict codes of conduct and therefore cause damage or loss to the client.</p> <p>When providing financial services, banks and client advisers must comply with certain obligations. The Financial Services Act (FinSA) defines obligations which financial service providers must uphold when dealing with their clients. The Act calls these obligations codes of conduct. In accordance with the FinSA, there are the following codes of conduct:</p> <ul style="list-style-type: none"> • Duties to provide information • Appropriateness and suitability assessments • Documentation and accountability obligations • Transparency and due diligence obligations <p>The codes of conduct do not apply if a financial instrument is only being marketed in general terms without providing any specific details.</p>
	<p>5.4.1 Duties to provide information</p> <p>Before a contract is concluded or a service is performed, a financial service provider must give its client information about itself as a company.</p> <p>The disclosures on risk must always include the general risks associated with financial instruments as a bare minimum, including information on</p> <ul style="list-style-type: none"> • their features, • how they work, • the risks of loss and • any obligations for the client. <p>The key information document must also be made available when making a personal recommendation to retail clients insofar as such a document is required for the product in question. Upon request, retail clients shall receive a prospectus containing the relevant risk disclosures free of charge. The financial service provider can use the brochure "Risks Involved in Trading Financial Instruments", published by the Swiss Bankers Association (SBA), for this purpose.</p>

Section	Investment advisory and portfolio management
	<p>5.4.2 Assessment of appropriateness and suitability</p> <p>Investments in securities harbour risks. Securities are recommended or purchased as part of investment advice and wealth management. In the interests of client protection, the bank is obliged to assess whether its clients</p> <ul style="list-style-type: none"> • have the appropriate knowledge and experience to understand the risks, or • have the relevant risk appetite and capacity and therefore are suited to bearing the risks. <p>If the investment advice only relates to individual transactions, an assessment of appropriateness will suffice. The client adviser assesses whether the client understands the risks associated with the securities being recommended. The client’s knowledge and experience relates to the financial service being provided and not to the individual transactions. A lack of knowledge and experience can be compensated for by providing an explanation to the client.</p> <p>If the advice is covering the entire client portfolio or if the client has signed a wealth management mandate, the client adviser must also perform an assessment of suitability in addition to the assessment of appropriateness. This is done by determining the client’s risk appetite and capacity. In practice, the client adviser assesses this with the help of a risk or investment profile.</p> <p>It may be assumed that professional clients have the required level of knowledge and experience and have the financial capacity to bear the investment risks associated with the financial service. Business involving institutional clients requires neither an appropriateness nor a suitability assessment.</p> <p>If the financial service provider believes that a financial instrument is not appropriate or suitable for its client, it will advise them against it before providing its service.</p>
	<p>5.4.3 Documentation and accountability obligations</p> <p>Financial service providers shall document the following information in an appropriate manner:</p> <ul style="list-style-type: none"> • the financial services agreed with clients • the financial services provided for clients • the information collected on clients • results of appropriateness and suitability assessments as well as explanations if these were not necessary or not possible • any advice given against the provision of a financial service <p>When providing investment advice, the client’s needs and the grounds for the recommendation are also to be documented. Professional clients can expressly release financial service providers from these obligations.</p> <p>If a client wishes to view its client information, it shall receive this from the financial service provider on request.</p>
	<p>5.4.4 Transparency and due diligence obligations</p> <p>Financial service providers must uphold the principles of good faith and equal treatment when processing client orders. They must have procedures and systems in place that are appropriate in terms of size, complexity and business activity and that uphold the client’s interests and ensure their equal treatment.</p> <p>When carrying out client orders, it must be ensured and – if the client so requests – proved that the best possible outcome is achieved in terms of cost, timing and quality (“best execution”).</p>
	<p>5.4.5 Consequences if codes of conduct are breached</p> <p>Although the FinSA stipulates fines of up to CHF 100,000, these only apply in the event of a deliberate failure to comply with one’s obligations to provide information, obligations to assess appropriateness and suitability and the obligation to disclose third-party compensation.</p> <p>In the event of disputes, the client can contact the ombudsman service – read more on this in the module “Banking 2”, section 2.8.</p>

Section	Investment advisory and portfolio management
	<p>5.5 Register of advisers</p> <p>Client advisers cannot carry out their activities until they are supervised by a Swiss financial service provider. If this is not the case, they can register in a public register of advisers accredited by FINMA. Foreign advisers are governed by specific criteria, which depend on whether they are subject to an accredited foreign financial market supervisory authority or whether their activities target exclusively professional or institutional clients, for instance.</p> <p>The register is managed by a registration body which receives a corresponding licence from FINMA. To be entered into the register, a client adviser must prove that they</p> <ul style="list-style-type: none"> • are aware of the codes of conduct under the FinSA and have the necessary specialist financial expertise, • have taken out professional liability insurance or have sufficient financial guarantees and • are affiliated with an ombudsman service – either personally or indirectly via their employer. • An adviser will not be registered if they are banned from exercising an activity or profession or if they have violated certain provisions of criminal law. The adviser shall provide details in the register such as their name, job title and educational background. <p>The content on disputes arising from investment services and the Banking Ombudsman was omitted.</p>
<p>Summary of chapter 5</p>	<p>Due to the update to chapter 5.4, the text on advisor liability has changed:</p> <p>Codes of conduct</p> <p>The FinSA sets out codes of conduct for financial service providers and their client advisers to permit them to provide financial services. This establishes rules for client protection. The codes of conduct in accordance with the FinSA include:</p> <ul style="list-style-type: none"> • Duties to provide information so that clients are briefed on the financial service provider and the financial service before concluding a contract. • Appropriateness and suitability assessments so that it is clear whether the financial service is appropriate and suitable for the client. • Documentation and accountability obligations so that the relevant information for the provision of the financial service is recorded and can be viewed by clients. • Transparency and due diligence obligations so that client orders are processed in a timely, correct and fair manner. <p>Register of advisers</p> <p>Client advisers from non-supervised Swiss financial service providers as well as foreign financial service providers can register in the register of advisers in order to be authorised to perform their activities in Switzerland.</p> <p>The summary on the Banking Ombudsman was omitted.</p>

Section	Investment advisory and portfolio management
Task 11	<p>The exercise was updated:</p> <p>A) The appropriateness and suitability assessments are codes of conduct that financial service providers have to follow. Name three other codes of conduct.</p> <p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>B) Describe what the suitability and appropriateness assessment are each intended to clarify.</p> <p>Assessment of suitability</p> <p>_____</p> <p>_____</p> <p>Assessment of appropriateness</p> <p>_____</p> <p>_____</p> <p>_____</p>
Answer 11	<p>The answer was updated:</p> <p>A) The three other codes of conduct are:</p> <p>1. Duties to provide information</p> <p>2. Documentation and accountability obligations</p> <p>Transparency and due diligence obligations</p> <p>B) The appropriateness assessment determines whether a client has the appropriate knowledge and experience to understand the risks of financial instruments. The suitability assessment determines whether the client has the necessary appetite and capacity for the risks associated with the financial instruments.</p>

Section	Investment advisory and portfolio management
6.2.1 The first pillar: State insurance (AHV and IV)	New pension figures will apply from 2021 : The maximum AHV pension for single people will amount to CHF 2,390, for married or common law couples CHF 3,585 and for widowed persons CHF 1,912
6.2.2 Second pillar – Occupational pension schemes (BVG)	New pension figures will apply from 2021 : Only people whose annual salary exceeds a minimum amount (CHF 21,510 in 2021) are insured with mandatory occupational pension schemes. Mandatory insurance extends only up to a maximum amount (CHF 86,040 in 2021) .
6.2.3 Third pillar – Private pensions	New pension figures will apply from 2021 : Maximum annual contribution for employees with pension fund CHF 6,883 and for self-employed persons with no pension fund CHF 34,416 .

Section	The Stock Exchange
1.2.2 Stock indices	Correction of the number of shares in the DAX in Fig. 7: The Deutsche Aktienindex DAX is the equity index of the Frankfurt Stock Exchange (Germany). It comprises the 40 largest German stocks.
2.2.3 Trading periods and hours	The trading periods were updated: From 8:30 a.m., in addition to Swiss government bonds, bonds in foreign currencies and mortgage bonds are traded. From 9 a.m., Swiss and foreign shares as well as investment funds and ETFs are traded. From 9:15 a.m., warrants and structured products are traded.
2.4.6	As of 1.2.2019, the duty to trade listed securities on the exchange was abolished in Switzerland: Deletion of the whole chapter 2.4.6.
2.5.2 Fees, dues and taxes on trading activities	Correction to calculation of the charges: Brokerage fees and Swiss Stamp Tax are calculated on the basis of the market price (shares), final transaction value (bonds). The following formula was omitted: Final transaction value of shares = price · number of securities traded
Chapter 3 and 4	No corrections identified

Section	Foreign exchange and precious metals
Chapters 1 and 2	No corrections identified
3.2 Gold trading	Correction of the weight of a fine ounce of gold to 31.1034768 g

Section	Investment banking
Chapter 1	No corrections identified
2.1 Basic elements of an offering	The provisions on the content of the prospectus are now regulated in the Financial Service Act Art. 40–46 FinSA and the prospectus requirement under Art. 35 FinSA.
2.5.1 Overview	Point 5 “Issue prospectus and subscription” was updated: Relevant information on the issue can now be found in the prospectus and in the key information document for private customers.

Section	Investment banking
<p>2.5.3 new: Issue prospectus and key information document</p>	<p>The chapter has been updated as follows due to the new legal situation by Financial Service Act:</p> <p>2.5.3 Issue prospectus and key information document</p> <p>In Switzerland, securities offerings are regulated by the Financial Service Act (FinSA), which requires that an issue prospectus be published for securities available through public subscription.</p> <p>Prospectus</p> <p>A prospectus is required for issue in accordance with the FinSA as a basic principle, although exemptions are possible. There is no need for a prospectus if the public offering:</p> <ul style="list-style-type: none"> • is only intended for professional clients • is intended for fewer than 500 investors • is intended for investors acquiring securities worth at least CHF 100,000 • has a minimum denomination of CHF 100,000 • will not exceed a total value of CHF 8 million over a twelve-month period <p>There is also no need to prepare a prospectus for certain securities, such as:</p> <ul style="list-style-type: none"> • Securities that employees receive from their company • Securities issued by the Swiss government or cantons, international public-law corporations, the SNB or foreign central banks • Securities issued by not-for-profit institutions (charitable associations) • Medium-term notes • Securities with a term of less than one year (money market instruments) <p>The FinSA requires prospectuses to be written in an official language of Switzerland or in English and to contain the following mandatory information:</p> <ul style="list-style-type: none"> • concerning the issuer, the guarantor and collateral provider, including their management and most recent interim or annual financial statements, and concerning their business situation and major prospects, risks and disputes • concerning rights, obligations and risks for investors relating to the securities being offered • concerning the type of placement and the estimated net proceeds from the issue <p>However, a reviewing body can approve exemptions for some content if:</p> <ul style="list-style-type: none"> • certain information would be damaging to the issuer if it were disclosed but would not mislead the investor if it were withheld • certain information is only of minor relevance • the information relates to securities that have complied with significant accounting and reporting requirements of a trading venue for the past three years <p>The FinSA requires prospectuses to contain a summary designed to make it easier to compare the instrument in question with similar securities.</p> <p>The prospectus must be submitted to a FINMA-licensed reviewing body prior to publication for detailed scrutiny. Prospectuses for collective investment schemes are exempt. Once a prospectus has been approved by the reviewing body, it must be published in a newspaper or journal, in hard-copy form or electronically on the website of the issuer or the reviewing body.</p> <p>If a company intends to list its securities on a stock exchange, it must submit a listing prospectus that complies with the requirements of the relevant exchange (in Switzerland, these are the Listing Rules of SIX – The Swiss Exchange).</p> <p>The key information document</p> <ul style="list-style-type: none"> • If a financial instrument is to be offered to private clients, an easy-to-understand key information document must first be provided in accordance with the FinSA. Financial instruments that are only used as part of an asset management mandate are exempt. Key information documents are not required for equities, participation certificates, dividend right certificates or non-derivative debt securities either, or if an equivalent document under foreign law is already available for the instrument in question.

Section	Investment banking
	<p>There must be a clear distinction between the key information document on the one hand and advertising material on the other. As with the issue prospectus, its content is prescribed by law (the FinSA). The key information document is designed to enable an investor to make a well-informed investment decision and a comparison between financial instruments. This requires the following information:</p> <ul style="list-style-type: none"> • The type, characteristics, costs and name of the financial instrument and any relevant licences • Details of the issuer and its licences • Risk/return profile, including the maximum possible loss affecting the capital invested • Minimum holding period and tradability <p>Fines for non-compliant prospectuses or key information documents</p> <p>Failure to comply with the regulations governing prospectuses or key information documents risks a fine of up to CHF 500,000. A further CHF 100,000 will be charged if the key information document is deliberately not made available prior to subscription or conclusion of the contract.</p>
	<p>Notice</p> <p>Not every investor is willing to read lengthy, complex issue prospectuses. To nevertheless reach a wide range of potential investors, the company can publish an issue notice summarising key information such as:</p> <ul style="list-style-type: none"> • information on the issuer: company name, headquarters and guarantors (if applicable) • information on the security: name, par value, quantity, denomination, conditions, security number (Swiss numbering system for securities) • information on the offering: early redemption options, subscription deadline, payment date (when investors must pay for their securities) • syndicate banks participating in the offering • the segment the security is listed on, and the first day of trading (if known) • note stating that the notice is not a prospectus as defined in the CO • note stating where a prospectus may be obtained, along with any additional information <p>The key information document differs from the prospectus in five major ways:</p> <p>Figure 10 Differences between key information document and prospectus</p> <div data-bbox="448 1256 1337 1693" style="border: 1px solid #ccc; padding: 10px; background-color: #e6f2ff;"> <p>The key information document:</p> <ol style="list-style-type: none"> 1. has to be written in easy-to-understand language. 2. is not a legally-recognised substitute for the issuing or listing prospectus and does not constitute a purchase order. 3. only needs to be prepared if financial instruments are to be offered to private clients (without an asset management mandate). 4. does not provide any financial indicators on the issuer (e.g. balance sheet, income statement). 5. does not need to be reviewed by a FINMA-licensed reviewing body. </div>
<p>2.5.4 Subscription of securities</p>	<p>Placement conditions can now be found next to the prospectus in the key information document for private customers.</p>
<p>Summary of chapter 2</p>	<p>The issuance of securities is now regulated in the Financial Services Act (FinSA) and no longer in the OR.</p>

Section	Investment banking
Task 4	<p>Part A] was updated: List at least five things which must appear in an issue prospectus.</p> <p>Part B] was updated: List at least five differences between the key information document and the issue prospectus.</p>
3.2.2 Issue prospectus and notice	This chapter was omitted.
Summary of chapter 3	The summary of the notice was omitted.
Answer 4	<p>Part A] was updated:</p> <ol style="list-style-type: none"> 1. Information on the issuer's top management 2. The issuer's most recent interim or annual financial statements 3. Information on the issuer's business situation 4. The issuer's major prospects, risks and disputes 5. Information on rights, obligations and risks for investors relating to the securities being offered 6. Information concerning the type of placement and the estimated net proceeds from the issue 7. A summary 8. Written in an official language of Switzerland or in English <p>Part B] was updated:</p> <ol style="list-style-type: none"> 1. Has to be written in easy-to-understand language. 2. The notice is not a substitute for the prospectus, which is required by law. 3. Only needs to be prepared if financial instruments are to be offered to private clients (without an asset management mandate). 4. Unlike the prospectus, the notice contains no financial information about the issuer (balance sheet or income statement). 5. Does not need to be reviewed by a FINMA-licensed reviewing body.
Answer 5	<p>Point 5 "Issue prospectus and subscription" was updated: Relevant information on the issue can now be found in the prospectus and in the key information document for private customers.</p>
5.1.1 Forms of M&A	<p>Adjustment of the example due to an update in Art. 135 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA):</p> <p>According to Art. 135 of FMIA, as soon as any party exceeds the threshold of 33 1/3 percent of a company's voting rights, this party is obliged to submit an offer for purchase. In other words, a shareholder holding more than 33 1/3% of the total voting rights must submit an offer to purchase the shares of other shareholders. The price offered must be at least as high as the higher of the following two amounts:</p> <ul style="list-style-type: none"> • The stock exchange price; • The highest price that the offeror has paid for equity securities of the target company in the preceding twelve months.