

Finance and business transactions

Updates edition 2022 – June 2023

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Corrections and new content (June 2023)

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 2022 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 |
|--------------|---|
| All Chapters | No corrections identified. |

| Section | Investing 2: Bonds, money market instruments and investment funds |
|------------------------|--|
| 1.3.7 Sustainable Bond | <p>New chapter on sustainable bonds:</p> <p>Bonds can also be subdivided based on their approach to sustainability. In the case of traditional bonds, sustainability considerations do not play any particular role. Sustainable bonds can be further broken down into four categories:</p> <ul style="list-style-type: none"> • Green bond • Social bond • Sustainability bond • Sustainability-linked bond <p>The key difference between these types of sustainable bond is to do with the specific purpose of the issue proceeds. For the first three categories, the bond proceeds may only be used for sustainable projects, whereas bonds in the fourth category are not restricted in the same way. Instead, the sustainability aspect comes in the form of clauses in the bond conditions, e.g. paying a higher interest rate if sustainability targets are met.</p> <p>Green bonds are primarily focused on the “E” element of ESG, while social bonds prioritise the “S” element. The term “sustainability bond” is used where both environmental and social concerns are addressed.</p> |
| Chapters 2 + 3 | No corrections identified. |

| Section | Investing 3: Forward transactions, structured products and alternative investments |
|----------------|--|
| Chapters 1 + 2 | No corrections identified. |

| Section | Investing 3: Forward transactions, structured products and alternative investments |
|--------------------------------|---|
| 3.3 Yield enhancement products | <p>Adjustment of Fig. 38 Possible scenarios 1-4 for barrier reverse convertible:</p> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%;"> <p>Scenario 1</p> </div> <div style="width: 50%;"> <p>Scenario 2</p> </div> <div style="width: 50%;"> <p>Scenario 3</p> </div> <div style="width: 50%;"> <p>Scenario 4</p> </div> </div> |
| Chapter 4 | No corrections identified. |

| Section | Investment advisory and portfolio management |
|--|--|
| 1.3.4 Sustainability | <p>New chapter on sustainability as an additional investment objective:</p> <p>Sustainability considerations are increasingly gaining in importance within investment objectives. They are often referred to collectively as the ESG (environmental, social and governance) profile. Certain groups of investors specifically look for ESG criteria. For some, this focus is so important that they are willing to accept a somewhat lower return, while others will only consider ESG investments if they can be achieved without compromising on other aspects. The investor's profile must be established without value judgements, and it is possible that an investor might pay no heed at all to ESG considerations.</p> |
| Chapters 2 - 5 | No corrections identified. |
| 6.2.1 The first pillar – State insurance (AHV and IV) | <p>New pension figures will apply from 2023:</p> <p>The maximum AHV pension for single people will amount to CHF 2,450, for married or common law couples CHF 3,675 and for widowed persons CHF 1,960.</p> |
| 6.2.2 Second pillar – Occupational pension schemes (BVG) | <p>New pension figures will apply from 2023:</p> <p>Only people whose annual salary exceeds a minimum amount (CHF 22,050 in 2023) are insured with mandatory occupational pension schemes. Mandatory insurance extends only up to a maximum amount (CHF 88,200 in 2023).</p> |
| 6.2.3 Third pillar – Private pensions | <p>New pension figures will apply from 2023:</p> <p>Maximum annual contribution for employees with pension fund CHF 7,056 and for self-employed persons with no pension fund CHF 35,280.</p> |
| Solution exercise 14 | <p>New pension figures will apply from 2023:</p> <p>Maximum annual contribution for employees with pension fund CHF 7,056 and for self-employed persons with no pension fund CHF 35,280.</p> |

| | |
|---------------------|----------------------------|
| Section | The Stock Exchange |
| All chapters | No corrections identified. |

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|---------------------|---|
| Section | Foreign exchange and precious metals |
| All chapters | No corrections identified. |

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|-----------------------|----------------------------|
| Section | Investment banking |
| Chapters 1 - 3 | No corrections identified. |

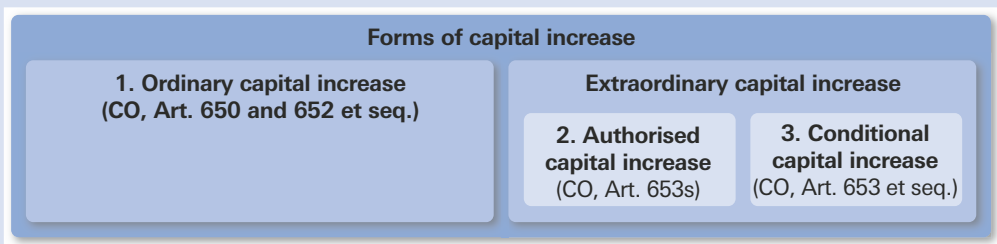
4.1.2 Forms of capital increase

Companies contemplating a capital increase must ask the following questions:

- What is the current **market receptiveness?** In other words, what are the current interest rates and stock market climate?
- Is there any **dilution risk** (see section 4.1.4, p. 33)? How will earnings per share (EPS) be affected?
- At what **price** is the company able to issue equity?
- Does the company truly need **additional equity capital**, and if so, why?
- What should be the **amount of the increase?** How much money does the company need?
- What **form of capital increase** should the company choose?

The Swiss Code of Obligations (CO) distinguishes three forms of capital increase.

Figure 1 Legal forms of capital increase



Ordinary capital increase

The general meeting votes in favour of a capital increase and entrusts it to the board of directors. This form of capital increase may be decided upon at any time, and is **not contingent on a particular purpose**.

- An **ordinary capital increase** must be executed within **six months**.
- The **total amount of the capital increase** may be **freely** determined.

Capital band

It is similar to the ordinary capital increase. The AGM can vote on an increase at any time and authorise the board of directors to carry it out. The difference to the ordinary increase lies mainly in the time limit and the amount of capital (capital band). With the capital band, the share capital can also be reduced.

- The **capital band** is more flexible in terms of time. The board of directors can flexibly change the capital within a bandwidth (capital band) of **five years**.
- However, the **amount of the increase (capital band)** is limited to a **maximum of 50%** of the previous equity capital.

The **purpose** can be arbitrary. As a rule, it is for the acquisition of participations, mergers or large investments.

| Section | Investment banking | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|---|--|--|--|------------------------------|---|-----------------|--|---|--|----------------|--------------------|--|---|-------------------------|-------------------|-------------------|------------------|---------------------|--------------------------|--|--|----------------------|---|---|--------------------|---|-----|---|---|--|--|--|---|
| | <p>Conditional capital increase</p> <p>A conditional capital increase is used for a specific purpose, principally for the purpose of using equity to hedge the conversion of convertible bonds or the exercise of an option.</p> <ul style="list-style-type: none"> • There is no execution period. • The total amount of the capital increase cannot exceed 50% of existing equity. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>Figure 2 Forms of capital increase: overview</p> <table border="1"> <thead> <tr> <th></th> <th>Ordinary capital increase (CO, Art. 650 and 652 et seq.)</th> <th>Capital Band (CO, Art. 653s)</th> <th>Conditional capital increase (CO, Art. 653 et seq.)</th> </tr> </thead> <tbody> <tr> <td>Decision</td> <td>The general meeting orders the board of directors to execute a capital increase for a specified amount.</td> <td>The Board of Directors may flexibly change the capital within a range of +/- 50% of the registered share capital (capital band) and within five years.</td> <td>The general meeting authorises the board of directors to execute a capital increase for a specific purpose and up to a specified maximum amount.</td> </tr> <tr> <td>Purpose</td> <td>Unspecified</td> <td>Unspecified (most often for the acquisition of a company)</td> <td>Hedging of conversion or option rights</td> </tr> <tr> <td>Execution period</td> <td>Six months</td> <td>Five years</td> <td>Unlimited</td> </tr> <tr> <td>Total amount</td> <td>Freely determined</td> <td>Maximum 50% of existing share capital</td> <td>Maximum 50% of existing share capital</td> </tr> <tr> <td>Contributions</td> <td>Cash contributions or contributions in kind (e.g. property or machines)</td> <td>Cash contributions or contributions in kind (e.g. property or machines)</td> <td>Cash contributions</td> </tr> <tr> <td>Number of stages in capital increase</td> <td>One</td> <td>The Board of Directors determines any increase steps within the capital band.</td> <td>Shares are continuously issued (depending on the conversion or option concerned).</td> </tr> <tr> <td>Preferred subscription rights for existing shareholders</td> <td> <ul style="list-style-type: none"> • Shareholders have preferred subscription rights. • The general meeting can not eliminate preferred subscription rights except on justifiable grounds. </td> <td> <ul style="list-style-type: none"> • Shareholders have preferred subscription rights. • The general meeting can not eliminate preferred subscription rights except on justifiable grounds. </td> <td> <ul style="list-style-type: none"> • Shareholders have no preferred subscription rights. • Although the bonds issued are linked to option or conversion rights, they are nevertheless offered first to existing shareholders. </td> </tr> </tbody> </table> | | | | | Ordinary capital increase (CO, Art. 650 and 652 et seq.) | Capital Band (CO, Art. 653s) | Conditional capital increase (CO, Art. 653 et seq.) | Decision | The general meeting orders the board of directors to execute a capital increase for a specified amount . | The Board of Directors may flexibly change the capital within a range of +/- 50% of the registered share capital (capital band) and within five years . | The general meeting authorises the board of directors to execute a capital increase for a specific purpose and up to a specified maximum amount . | Purpose | Unspecified | Unspecified (most often for the acquisition of a company) | Hedging of conversion or option rights | Execution period | Six months | Five years | Unlimited | Total amount | Freely determined | Maximum 50% of existing share capital | Maximum 50% of existing share capital | Contributions | Cash contributions or contributions in kind (e.g. property or machines) | Cash contributions or contributions in kind (e.g. property or machines) | Cash contributions | Number of stages in capital increase | One | The Board of Directors determines any increase steps within the capital band. | Shares are continuously issued (depending on the conversion or option concerned). | Preferred subscription rights for existing shareholders | <ul style="list-style-type: none"> • Shareholders have preferred subscription rights. • The general meeting can not eliminate preferred subscription rights except on justifiable grounds. | <ul style="list-style-type: none"> • Shareholders have preferred subscription rights. • The general meeting can not eliminate preferred subscription rights except on justifiable grounds. | <ul style="list-style-type: none"> • Shareholders have no preferred subscription rights. • Although the bonds issued are linked to option or conversion rights, they are nevertheless offered first to existing shareholders. |
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| Execution period | Six months | Five years | Unlimited | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total amount | Freely determined | Maximum 50% of existing share capital | Maximum 50% of existing share capital | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contributions | Cash contributions or contributions in kind (e.g. property or machines) | Cash contributions or contributions in kind (e.g. property or machines) | Cash contributions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Chapter 5 | No corrections identified. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |