Capital Markets

Switzerland is a very attractive capital markets environment: it combines the world's largest international wealth management centre with a modern financial market infrastructure and a competitive and solid regulatory environment that meets international standards. Switzerland provides both investors and issuers with attractive investment and financing opportunities. This, together with stable political conditions, allows Switzerland to be a prime location to raise capital, invest money, or list equity or debt instruments.

The SIX Swiss Exchange, the principal securities trading platform in Switzerland, has established itself as, and continues to be, a premier listing and trading platform for debt and equity securities, structured products and other derivatives. Its modern, fully integrated value chain affords automatic trading, settlement and clearing, and provides for an efficient, speedy listing process. This framework has positioned the SIX Swiss Exchange as an attractive listing platform for issuers seeking attractive timelines between going to market, admission to trading, and listing, as well as the efficient trading of their securities. This is particularly true for the issuance and listing of bonds, structured products and other debt securities – not the least because of the post-issuance listing approval process. Therefore, it does not come as a surprise that leading Swiss and other European issuers such as Barclays, Credit Suisse, UBS and Nationwide Building Society have chosen to list their regulatory capital instruments, such as Contingent Convertible Bonds (CoCos) or Contingent Write-Down Bonds and other total loss-absorbing instruments such as Total Loss-Absorbing Capacity (TLAC) instruments, on the SIX Swiss Exchange.

The Regulatory Board of the SIX Swiss Exchange cleared the way for the listing of high-yield bonds (HYB) in Switzerland. The change in the Regulatory Board's practice that facilitated listing of HYB on the SIX Swiss Exchange was its decision to also allow subsidiaries or sister companies of the issuer that grant up-stream or cross-stream guarantees with respect to the HYB to fulfil the role of "substitute guarantor." It further addressed any investor protection concerns resulting from this change by simultaneously raising the disclosure standards applicable to such substitute guarantors. Furthermore, HYB are typically guaranteed (via both up-stream and cross-stream guarantees) by a number of guarantors that collectively represent a fair share of group-wide EBITDA.

The SIX Swiss Exchange also implemented a rule change on the SMI, bringing the benchmark index into line with the UCITS Directive. As a result, investors in the EU can continue to do investments based on the SMI.

According to the figures published by the Swiss Structured Products Association (SSPA), investments in structured products remains very strong. As of the end of 2016, the turnover for Swiss structured products of the major SSPA members amounted to CHF226 billion, with a year-to-year growth of 17% as per Q3 2017. According to the Swiss National Bank's statistics, as of the end of August 2017, CHF189 billion was invested in structured products held in Swiss...
securities accounts. Compared with other types of securities, this represents over 3.19% of all securities held in Swiss accounts. The SIX Swiss Exchange operates Switzerland’s only exchange for structured products and has helped shape the market and set new standards for the offering and listing of structured products. Together with the SSPA, it has sought to make structured products more transparent, serve as a source of information and create a basis of trust for market participants. Only structured products that have completed the SIX Exchange Regulation's listing procedure and meet clearly defined requirements with regard to investor safety are traded on the SIX Swiss Exchange. Trading is subject to strict rules that require transparent and fair dealings for all market participants. This regulated market is designed to ensure equal treatment of issuers and investors.

According to the SIX Swiss Exchange, a total of 51,402,173 trades had been conducted on the exchange in 2017 (on, off and dark order book), an increase of 8% to 2016. In addition, in 2017, trading turnover across all securities was up by 5.2%, totalling CHF1.34 trillion. In 2017, exchange participants made an average of 204,790 securities trades per day, worth an average total of CHF5.4 billion (up 5.2% year-on-year). With respect to new listings of companies (IPOs), SIX ranked in the third highest position in Europe in terms of IPO transaction volume.

Swiss capital markets regulation rests on the principle of providing all participants with free non-discriminatory access to the Swiss markets, subject to adequate disclosure, proper market conduct, and licensing requirements for financial intermediaries that both offer services and have a physical presence in Switzerland. At present, there are no Swiss registration requirements for debt or equity offerings (whether public or private, primary or secondary market), but the spectre of civil liability for inadequate or incorrect disclosure provides an effective safeguard.

The Swiss federal government is in the process of overhauling Switzerland's financial market laws so that they rest on four pillars: supervision, financial market infrastructure, financial institutions and financial services.

On 1 January 2016, the Swiss Federal Financial Market Infrastructure Act (FMIA, FinfraG) entered into force. The FMIA established a regulatory framework for financial market infrastructure in conformity with the European Market Infrastructure Regulation (EMIR) and the Dodd-Frank Act, and introduced regulations applicable to the OTC derivatives market.

In addition to that, on 4 November 2015, the Swiss Federal Council presented a draft for a new Swiss Federal Financial Services Act (FinSA, FIDLEG), which has now passed the second chamber of the Swiss Parliament and is currently expected to enter into effect sometime in 2019 or beginning of 2020. The FinSA would, inter alia, provide Switzerland with comprehensive primary market regulations. It would also implement a prospectus documentation concept modelled after the European Prospectus Directive while at the same time leaving sufficient room to preserve the basis for a highly competitive market. For instance, the FinSA's prospectus approval
requirement will only need to be met post-issuance, rather than pre-offering, for designated debt instruments, provided certain requirements are met. By preserving this particular advantage of the existing listing prospectus approval process in the Swiss debt capital markets, the FinSA would ensure that there continues to be very attractive time-to-market conditions for issuers of debt instruments.

In addition to the new prospect regime, the FinSA will introduce a key information document (KID) similar to the key information document under the EU-PRIIPs regulation. A KID has to be prepared when financial instruments other than shares and bonds are being offered to private clients or retail investors. This basic information document must contain all the information material for the client’s investment decision, presented in an easily comprehensible way, and is designed to make financial instruments easier to compare. In the case of material changes to the information contained in the basic information document, the basic information document must be updated.

In addition, the FinSA in its current form would, with certain exceptions, introduce a registration requirement for foreign entities and their personnel that provide financial services to customers in Switzerland, and an obligation for any such foreign financial service provider to join an eligible ombudsman’s organisation.

Also, on 4 November 2015, the Swiss Federal Council presented a draft for a new Swiss Federal Financial Institutions Act (FFIA, FINIG), which would, inter alia, subject asset managers to licensing requirements and indirect prudential supervision for the first time in Switzerland. The FFIA is currently expected to enter into effect sometime in 2019.